2004

Criteria for Performance Excellence

ethics

accomplishment

competitiveness

BALDRIGE
National Quality Program

A Public-Private Partnership

Building active partnerships in the private sector—and among the private sector and all levels of government—is fundamental to the success of the Baldrige National Quality Program in improving national competitiveness. Private-sector support for the Program in the form of funds, volunteer efforts, and participation in information transfer continues to grow.

To ensure the continued growth and success of these partnerships, each of the following organizations plays an important role.

Foundation for the Malcolm Baldrige National Quality Award

The Foundation for the Malcolm Baldrige National Quality Award was created to foster the success of the Program. The Foundation's main objective is to raise funds to permanently endow the Award Program.

Prominent leaders from U.S. organizations serve as Foundation Trustees to ensure that the Foundation's objectives are accomplished. A broad cross section of organizations throughout the United States provides financial support to the Foundation.

National Institute of Standards and Technology

The U.S. Department of Commerce is responsible for the Baldrige National Quality Program and the Award. The National Institute of Standards and Technology (NIST), an agency of the Department's Technology Administration, manages the Baldrige Program. NIST promotes U.S. economic growth by working with industry to develop and deliver the high-quality measurement tools, data, and services necessary for the nation's technology infrastructure. NIST also participates in a unique, government/private sector partnership to accelerate the development of high-risk technologies that promise significant commercial and economic benefits. Through a network of technology extension centers and field offices serving all 50 states and Puerto Rico, NIST helps small- and medium-sized businesses access the information and expertise they need to improve their competitiveness in the global marketplace.

American Society for Quality

The American Society for Quality (ASQ) assists in administering the Award Program under contract to NIST. ASQ is dedicated to the ongoing development, advancement, and promotion of quality concepts, principles, and techniques. ASQ strives to be the world's recognized champion and leading authority on all issues related to quality. ASQ recognizes that continuous quality improvement will help the favorable positioning of American goods and services in the international marketplace.

Board of Overseers

The Board of Overseers advises the Department of Commerce on the Baldrige National Quality Program. The board is appointed by the Secretary of Commerce and consists of distinguished leaders from all sectors of the U.S. economy.

The Board of Overseers evaluates all aspects of the Program, including the adequacy of the Criteria and processes for determining Award recipients. An important part of the board's responsibility is to assess how well the Program is serving the national interest. Accordingly, the board makes recommendations to the Secretary of Commerce and to the Director of NIST regarding changes and improvements in the Program.

Board of Examiners

The Board of Examiners evaluates Award applications and prepares feedback reports. The Panel of Judges, part of the Board of Examiners, makes Award recommendations to the Director of NIST. The board consists of leading U.S. business, education, and health care experts. NIST selects members through a competitive application process. For 2004, the board consists of about 560 members. Of these, 10 (who are appointed by the Secretary of Commerce) serve as Judges, and approximately 95 serve as Senior Examiners. The remainder serve as Examiners. All members of the board must take part in an Examiner preparation course.

In addition to reviewing applications, board members play a significant role in sharing information about the Baldrige Program. Their membership in hundreds of professional, trade, community, and state organizations helps them disseminate this information.

Award Recipients

Award recipients are required to share information on their successful performance and quality strategies with other U.S. organizations. However, recipients are not required to share proprietary information, even if such information was part of their Award application. The principal mechanism for sharing information is The Quest for Excellence® Conference held annually.

Award recipients in the 16 years of the Award have been extremely generous in their commitment to improving U.S. competitiveness and furthering the U.S. pursuit of performance excellence. They have shared information with hundreds of thousands of companies, education organizations, health care organizations, government agencies, and others. This sharing far exceeds expectations and Program requirements. Award recipients' efforts have encouraged many other organizations in all sectors of the U.S. economy to undertake their own performance improvement efforts.

Baldrige National Quality Program
National Institute of Standards and Technology • Technology Administration • Department of Commerce

To: U.S. Business Community

From: Harry S. Hertz, Director
             Baldrige National Quality Program

Subject: The Baldrige Challenge

For 16 years, the Baldrige Criteria have been used by thousands of U.S. organizations to stay abreast of ever-increasing competition and to improve performance. For today's business environment, the Criteria help organizations respond to current challenges: openness and transparency in governance and ethics; the need to create value for customers and the business; and the challenges of rapid innovation and capitalizing on your knowledge assets. Whether your business is small or large, is involved in service or manufacturing, or has one office or multiple sites across the globe, the Criteria provide a valuable framework that can help you plan in an uncertain environment. Use the Criteria to assess performance on a wide range of key business indicators: customer, product and service, financial, human resource, and operational. The Criteria can help you align resources and approaches, such as ISO 9000, Lean Enterprise, Balanced Scorecard, and Six Sigma; improve communication, productivity, and effectiveness; and achieve strategic goals.

How to begin that first Baldrige assessment? Take a few minutes and scan the questions in the Organizational Profile on pages 10–12. A discussion of the answers to these questions might be your first Baldrige assessment. For additional guidance, refer to our free booklet *Getting Started with the Baldrige National Quality Program Criteria for Performance Excellence: A Guide to Self-Assessment and Action.*

If you are ready to take the full Baldrige challenge, you can perform a self-assessment as an internal improvement effort, or you can use your self-assessment as the basis for an Award application. Assessment against all seven Categories of the Criteria (see pages 13–29) allows you to identify strengths and to address opportunities for improving your processes and results.

Do you need to know what your employees and your managers think? Do you believe you have been making progress but want to accelerate or better focus your efforts? Try using our simple *Are We Making Progress?* questionnaires. The employee questionnaire, available in English and Spanish, addresses topics from your employees' perspective, organized by the seven Baldrige Criteria Categories. Compare the results with the perceptions of your managers using our *Are We Making Progress as Leaders?* questionnaire. It will help you check your progress toward meeting your organizational goals and will improve communication among your employees and your leadership team.

Even if you don't expect to win the Baldrige Award, submitting an Award application has valuable benefits. Every applicant receives a detailed feedback report based on an independent, external assessment conducted by a panel of specially trained and recognized experts.

The Criteria are in your hands . . . so is an incredible opportunity. Why not take the challenge? Regardless of your organization's past success, when you turn these pages, you turn the corner toward performance excellence. If you want more information, contact me at nqp@nist.gov.

Need some useful tools to meet the Baldrige challenge? Try using

- *Getting Started with the Baldrige National Quality Program*
- E-Baldrige Organizational Profile found on our Web site at
  www.baldrige.nist.gov/eBaldrige/Step_One.htm
- *Are We Making Progress?* and *Are We Making Progress as Leaders?*

Contact the Baldrige National Quality Program or visit our Web site for these and other educational materials.

The Quest for Excellence XVI Conference

Each year, The Quest for Excellence, the official conference of the Malcolm Baldrige National Quality Award, provides a forum for Baldrige Award recipients to share their exceptional performance practices with worldwide leaders in business, education, health care, and not-for-profit organizations. The Quest for Excellence XVI will showcase the year 2003 Award recipients.

For the last 15 years, executives, managers, and quality leaders have come to this conference to learn how these role model organizations have achieved performance excellence. CEOs and other leaders from the Award recipient organizations give presentations covering all seven Categories of the Baldrige Criteria, their journey to performance excellence, and their lessons learned. At this three-day conference designed to maximize learning and networking opportunities, attendees will be able to interact with Award recipients.

The Quest for Excellence XVI Conference will be held March 28–31, 2004, at the Marriott Wardman Park Hotel in Washington, DC. For further information, contact the Baldrige Program by mail: Baldrige National Quality Program, NIST, Administration Building, Room A600, 100 Bureau Drive, Stop 1020, Gaithersburg, MD 20899-1020; telephone: (301) 975-2036; fax: (301) 948-3716; or e-mail: nqp@nist.gov. For a general overview of the Baldrige National Quality Program, visit its Web site: www.baldrige.nist.gov.

The Malcolm Baldrige National Quality Award

The Award crystal, composed of two solid crystal prismatic forms, stands 14 inches tall. The crystal is held in a base of black anodized aluminum with the Award recipient's name engraved on the base. A 22-karat gold-plated medallion is captured in the front section of the crystal. The medal bears the inscriptions "Malcolm Baldrige National Quality Award" and "The Quest for Excellence" on one side and the Presidential Seal on the other.

The President of the United States traditionally presents the Awards at a special ceremony in Washington, DC.

Crystal by Steuben

The Malcolm Baldrige National Quality Award logo and the phrases "The Quest for Excellence" and "Performance Excellence" are trademarks and service marks of the National Institute of Standards and Technology.

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Education and health care organizations should use the appropriate Criteria booklets for their respective sectors. See pages 66–67 for ordering information.

If you plan to apply for the Award in 2004, you also will need the booklet *Baldrige Award Application Forms*. Ordering instructions are given on page 66.

The first step in the Award application process is to provide the Eligibility Certification Package, which is due April 13, 2004. If you would like to recommend a senior member of your organization for the Board of Examiners, the package is due March 12, 2004.

Award Application Packages are due May 27, 2004, or May 13, 2004, if submitted on CD.

We are easy to reach. Our Web site is www.baldrige.nist.gov.

Criteria Purposes

The Criteria are the basis for organizational self-assessments, for making Awards, and for giving feedback to applicants. In addition, the Criteria have three important roles in strengthening U.S. competitiveness:

- to help improve organizational performance practices, capabilities, and results
- to facilitate communication and sharing of best practices information among U.S. organizations of all types
- to serve as a working tool for understanding and managing performance and for guiding organizational planning and opportunities for learning

Criteria for Performance Excellence Goals

The Criteria are designed to help organizations use an integrated approach to organizational performance management that results in

- delivery of ever-improving value to customers, contributing to marketplace success
- improvement of overall organizational effectiveness and capabilities
- organizational and personal learning

Core Values and Concepts

The Criteria are built upon the following set of interrelated Core Values and Concepts:

- visionary leadership
- customer-driven excellence
- organizational and personal learning
- valuing employees and partners
- agility
- focus on the future
- managing for innovation
- management by fact
- social responsibility
- focus on results and creating value
- systems perspective

These values and concepts, described below, are embedded beliefs and behaviors found in high-performing organizations. They are the foundation for integrating key business requirements within a results-oriented framework that creates a basis for action and feedback.

Visionary Leadership

Your organization's senior leaders should set directions and create a customer focus, clear and visible values, and high expectations. The directions, values, and expectations should balance the needs of all your stakeholders. Your leaders should ensure the creation of strategies, systems, and methods for achieving excellence, stimulating innovation, and building knowledge and capabilities. The values and strategies should help guide all activities and decisions of your organization. Senior leaders should inspire and motivate your entire workforce and should encourage all employees to contribute, to develop and learn, to be innovative, and to be creative. Senior leaders should be responsible to your organization's governance body for their actions and performance. The governance body should be responsible ultimately to all your stakeholders for the ethics, vision, actions, and performance of your organization and its senior leaders.

Senior leaders should serve as role models through their ethical behavior and their personal involvement in planning, communications, coaching, development of future leaders, review of organizational performance, and employee recognition. As role models, they can reinforce ethics, values, and expectations while building leadership, commitment, and initiative throughout your organization.

Customer-Driven Excellence

Quality and performance are judged by an organization's customers. Thus, your organization must take into account all product and service features and characteristics and all modes of customer access that contribute value to your customers. Such behavior leads to customer acquisition, satisfaction, preference, referral, retention and loyalty, and business expansion. Customer-driven excellence has both current and future components: understanding today's customer desires and anticipating future customer desires and marketplace potential.

Value and satisfaction may be influenced by many factors throughout your customers' overall purchase, ownership, and service experiences. These factors include your organization's relationships with customers, which help to build trust, confidence, and loyalty.

Customer-driven excellence means much more than reducing defects and errors, merely meeting specifications, or reducing complaints. Nevertheless, reducing defects and errors and eliminating causes of dissatisfaction contribute to your customers' view of your organization and thus also are important parts of customer-driven excellence. In addition, your organization's success in recovering from defects and mistakes ("making things right for your customer") is crucial to retaining customers and building customer relationships.

Customer-driven organizations address not only the product and service characteristics that meet basic customer requirements but also those features and characteristics that differentiate products and services from competing offerings. Such differentiation may be based upon new or modified offerings, combinations of product and service offerings, customization of offerings, multiple access mechanisms, rapid response, or special relationships.

Customer-driven excellence is thus a strategic concept. It is directed toward customer retention and loyalty, market share gain, and growth. It demands constant sensitivity to changing and emerging customer and market requirements and to the factors that drive customer satisfaction and loyalty. It demands listening to your customers. It demands anticipating changes in the marketplace. Therefore, customer-driven excellence demands awareness of developments in technology and competitors' offerings, as well as rapid and flexible response to customer and market changes.

Organizational and Personal Learning

Achieving the highest levels of business performance requires a well-executed approach to organizational and personal learning. Organizational learning includes both continuous improvement of existing approaches and adaptation to change, leading to new goals and/or approaches. Learning needs to be embedded in the way your organization operates. This means that learning (1) is a regular part of daily work; (2) is practiced at personal, work unit, and organizational levels; (3) results in solving problems at their source ("root cause"); (4) is focused on building and sharing knowledge throughout your organization; and (5) is driven by opportunities to effect significant, meaningful change. Sources for learning include employees' ideas, research and development (R&D), customers' input, best practice sharing, and benchmarking.

Organizational learning can result in (1) enhancing value to customers through new and improved products and services; (2) developing new business opportunities; (3) reducing errors, defects, waste, and related costs; (4) improving responsiveness and cycle time performance; (5) increasing productivity and effectiveness in the use of all resources throughout your organization; and (6) enhancing your organization's performance in fulfilling its societal responsibilities and its service to your community as a good citizen.

Employees' success depends increasingly on having opportunities for personal learning and practicing new skills. Organizations invest in employees' personal learning through education, training, and other opportunities for continuing growth. Such opportunities might include job rotation and increased pay for demonstrated knowledge and skills. On-the-job training offers a cost-effective way to train and to better link training to your organizational needs and priorities. Education and training programs may benefit from advanced technologies, such as computer- and Internet-based learning and satellite broadcasts.

Personal learning can result in (1) more satisfied and versatile employees who stay with your organization, (2) organizational cross-functional learning, (3) building the knowledge assets of your organization, and (4) an improved environment for innovation.

Thus, learning is directed not only toward better products and services but also toward being more responsive, adaptive, innovative, and efficient—giving your organization marketplace sustainability and performance advantages and giving your employees satisfaction and motivation to excel.

Valuing Employees and Partners

An organization's success depends increasingly on the diverse knowledge, skills, creativity, and motivation of all its employees and partners.

Valuing employees means committing to their satisfaction, development, and well-being. Increasingly, this involves more flexible, high-performance work practices tailored to employees with diverse workplace and home life needs. Major challenges in the area of valuing employees include (1) demonstrating your leaders' commitment to your employees' success, (2) recognition that goes beyond the regular compensation system, (3) development and progression within your organization, (4) sharing your organization's knowledge so your employees can better serve your customers and contribute to achieving your strategic objectives, and (5) creating an environment that encourages risk taking and innovation.

Organizations need to build internal and external partnerships to better accomplish overall goals. Internal partnerships might include labor-management cooperation, such as agreements with unions. Partnerships with employees might entail employee development, cross-training, or new work organizations, such as high-performance work teams. Internal partnerships also might involve creating network relationships among your work units to improve flexibility, responsiveness, and knowledge sharing.

External partnerships might be with customers, suppliers, and education organizations. Strategic partnerships or alliances are increasingly important kinds of external partnerships. Such partnerships might offer entry into new markets or a basis for new products or services. Also, partnerships might permit the blending of your organization's core competencies or leadership capabilities with the complementary strengths and capabilities of partners.

Successful internal and external partnerships develop longer-term objectives, thereby creating a basis for mutual investments and respect. Partners should address the key requirements for success, means for regular communication, approaches to evaluating progress, and means for adapting to changing conditions. In some cases, joint education and training could offer a cost-effective method for employee development.

Agility

Success in globally competitive markets demands agility—a capacity for rapid change and flexibility. E-business requires and enables more rapid, flexible, and customized responses. Businesses face ever-shorter cycles for the introduction of new/improved products and services, as well as for faster and more flexible response to customers. Major improvements in response time often require simplification of work units and processes and/or the ability for rapid

changeover from one process to another. Cross-trained and empowered employees are vital assets in such a demanding environment.

A major success factor in meeting competitive challenges is the design-to-introduction (product or service initiation) or innovation cycle time. To meet the demands of rapidly changing global markets, organizations need to carry out stage-to-stage integration (such as concurrent engineering) of activities from research or concept to commercialization.

All aspects of time performance now are more critical, and cycle time has become a key process measure. Other important benefits can be derived from this focus on time; time improvements often drive simultaneous improvements in organization, quality, cost, and productivity.

Focus on the Future

In today's competitive environment, a focus on the future requires understanding the short- and longer-term factors that affect your business and marketplace. Pursuit of sustainable growth and market leadership requires a strong future orientation and a willingness to make long-term commitments to key stakeholders—your customers, employees, suppliers and partners, stockholders, the public, and your community. Your organization's planning should anticipate many factors, such as customers' expectations, new business and partnering opportunities, employee development and hiring needs, the increasingly global marketplace, technological developments, the evolving e-business environment, new customer and market segments, evolving regulatory requirements, community and societal expectations, and strategic moves by competitors. Strategic objectives and resource allocations need to accommodate these influences. A focus on the future includes developing employees and suppliers, doing effective succession planning, creating opportunities for innovation, and anticipating public responsibilities.

Managing for Innovation

Innovation means making meaningful change to improve an organization's products, services, and processes and to create new value for the organization's stakeholders. Innovation should lead your organization to new dimensions of performance. Innovation is no longer strictly the purview of research and development departments; innovation is important for all aspects of your business and all processes. Organizations should be led and managed so that innovation becomes part of the learning culture and is integrated into daily work.

Innovation builds on the accumulated knowledge of your organization and its employees. Therefore, the ability to capitalize on this knowledge is critical to managing for innovation.

Management by Fact

Organizations depend on the measurement and analysis of performance. Such measurements should derive from business needs and strategy, and they should provide critical data and information about key processes, outputs, and results. Many types of data and information are needed for performance management. Performance measurement should include customer, product, and service performance; comparisons of operational, market, and competitive performance; and supplier, employee, and cost and financial performance. Data should be segmented by, for example, markets, product lines, and employee groups to facilitate analysis.

Analysis refers to extracting larger meaning from data and information to support evaluation, decision making, and improvement. Analysis entails using data to determine trends, projections, and cause and effect that might not otherwise be evident. Analysis supports a variety of purposes, such as planning, reviewing your overall performance, improving operations, change management, and comparing your performance with competitors' or with "best practices" benchmarks.

A major consideration in performance improvement and change management involves the selection and use of performance measures or indicators. *The measures or indicators you select should best represent the factors that lead to improved customer, operational, and financial performance. A comprehensive set of measures or indicators tied to customer and/or organizational performance requirements represents a clear basis for aligning all processes with your organization's goals.* Through the analysis of data from your tracking processes, your measures or indicators themselves may be evaluated and changed to better support your goals.

Social Responsibility

An organization's leaders should stress responsibilities to the public, ethical behavior, and the need to practice good citizenship. Leaders should be role models for your organization in focusing on business ethics and protection of public health, safety, and the environment. Protection of health, safety, and the environment includes your organization's operations, as well as the life cycles of your products and services. Also, organizations should emphasize resource conservation and waste reduction at the source. Planning should anticipate adverse impacts from production, distribution, transportation, use, and disposal of your products. Effective planning should prevent problems, provide for a forthright response if problems occur, and make available information and support needed to maintain public awareness, safety, and confidence.

For many organizations, the product design stage is critical from the point of view of public responsibility. Design decisions impact your production processes and often the content of municipal and industrial waste. Effective design strategies should anticipate growing environmental concerns and responsibilities.

Organizations should not only meet all local, state, and federal laws and regulatory requirements, but they should treat these and related requirements as opportunities for improvement

"beyond mere compliance." Organizations should stress ethical behavior in all stakeholder transactions and interactions. Highly ethical conduct should be a requirement of and should be monitored by the organization's governance body.

Practicing good citizenship refers to leadership and support—within the limits of an organization's resources—of publicly important purposes. Such purposes might include improving education and health care in your community, environmental excellence, resource conservation, community service, improving industry and business practices, and sharing nonproprietary information. Leadership as a corporate citizen also entails influencing other organizations, private and public, to partner for these purposes. For example, your organization might lead or participate in efforts to help define the obligations of your industry to its communities. Managing social responsibility requires the use of appropriate measures and leadership responsibility for those measures.

Focus on Results and Creating Value

An organization's performance measurements need to focus on key results. Results should be used to create and balance value for your key stakeholders—customers, employees, stockholders, suppliers and partners, the public, and the community. By creating value for your key stakeholders, your organization builds loyalty and contributes to growing the economy. To meet the sometimes conflicting and changing aims that balancing value implies, organizational strategy should explicitly include key stakeholder requirements. This will help ensure that plans and actions meet differing stakeholder needs and avoid adverse impacts on any stakeholders. The use of a balanced composite of leading and lagging performance measures offers an effective means to communicate short- and longer-term priorities, monitor actual performance, and provide a clear basis for improving results.

Systems Perspective

The Baldrige Criteria provide a systems perspective for managing your organization and its key processes to achieve results—performance excellence. The seven Baldrige Categories and the Core Values form the building blocks and the integrating mechanism for the system. However, successful management of overall performance requires organization-specific synthesis, alignment, and integration. Synthesis means looking at your organization as a whole and builds upon key business requirements, including your strategic objectives and action plans. Alignment means using the key linkages among requirements given in the Baldrige Categories to ensure consistency of plans, processes, measures, and actions. Integration builds on alignment so that the individual components of your performance management system operate in a fully interconnected manner.

These concepts are depicted in the Baldrige framework on page 5. A systems perspective includes your senior leaders' focus on strategic directions and on your customers. It

means that your senior leaders monitor, respond to, and manage performance based on your business results. A systems perspective also includes using your measures, indicators, and organizational knowledge to build your key strategies. It means linking these strategies with your key processes and aligning your resources to improve overall performance and satisfy customers.

Thus, a systems perspective means managing your whole organization, as well as its components, to achieve success.

Criteria for Performance Excellence Framework

The Core Values and Concepts are embodied in seven Categories, as follows:

1. **Leadership**
2. **Strategic Planning**
3. **Customer and Market Focus**
4. **Measurement, Analysis, and Knowledge Management**
5. **Human Resource Focus**
6. **Process Management**
7. **Business Results**

The figure on page 5 provides the framework connecting and integrating the Categories.

From top to bottom, the framework has the following basic elements.

Organizational Profile

Your Organizational Profile (top of figure) sets the context for the way your organization operates. Your environment, key working relationships, and strategic challenges serve as an overarching guide for your organizational performance management system.

System Operations

The system operations are composed of the six Baldrige Categories in the center of the figure that define your operations and the results you achieve.

Leadership (Category 1), Strategic Planning (Category 2), and Customer and Market Focus (Category 3) represent the leadership triad. These Categories are placed together to emphasize the importance of a leadership focus on strategy and customers. Senior leaders set your organizational direction and seek future opportunities for your organization.

Human Resource Focus (Category 5), Process Management (Category 6), and Business Results (Category 7) represent the results triad. Your organization's employees and key processes accomplish the work of the organization that yields your business results.

All actions point toward Business Results—a composite of customer, product and service, financial, and internal operational performance results, including human resource, governance, and social responsibility results.

The horizontal arrow in the center of the framework links the leadership triad to the results triad, a linkage critical to organizational success. Furthermore, the arrow indicates the central relationship between Leadership (Category 1) and Business Results (Category 7). The two-headed arrows indicate the importance of feedback in an effective performance management system.

System Foundation

Measurement, Analysis, and Knowledge Management (Category 4) are critical to the effective management of your organization and to a fact-based, knowledge-driven system for improving performance and competitiveness. Measurement, analysis, and knowledge management serve as a foundation for the performance management system.
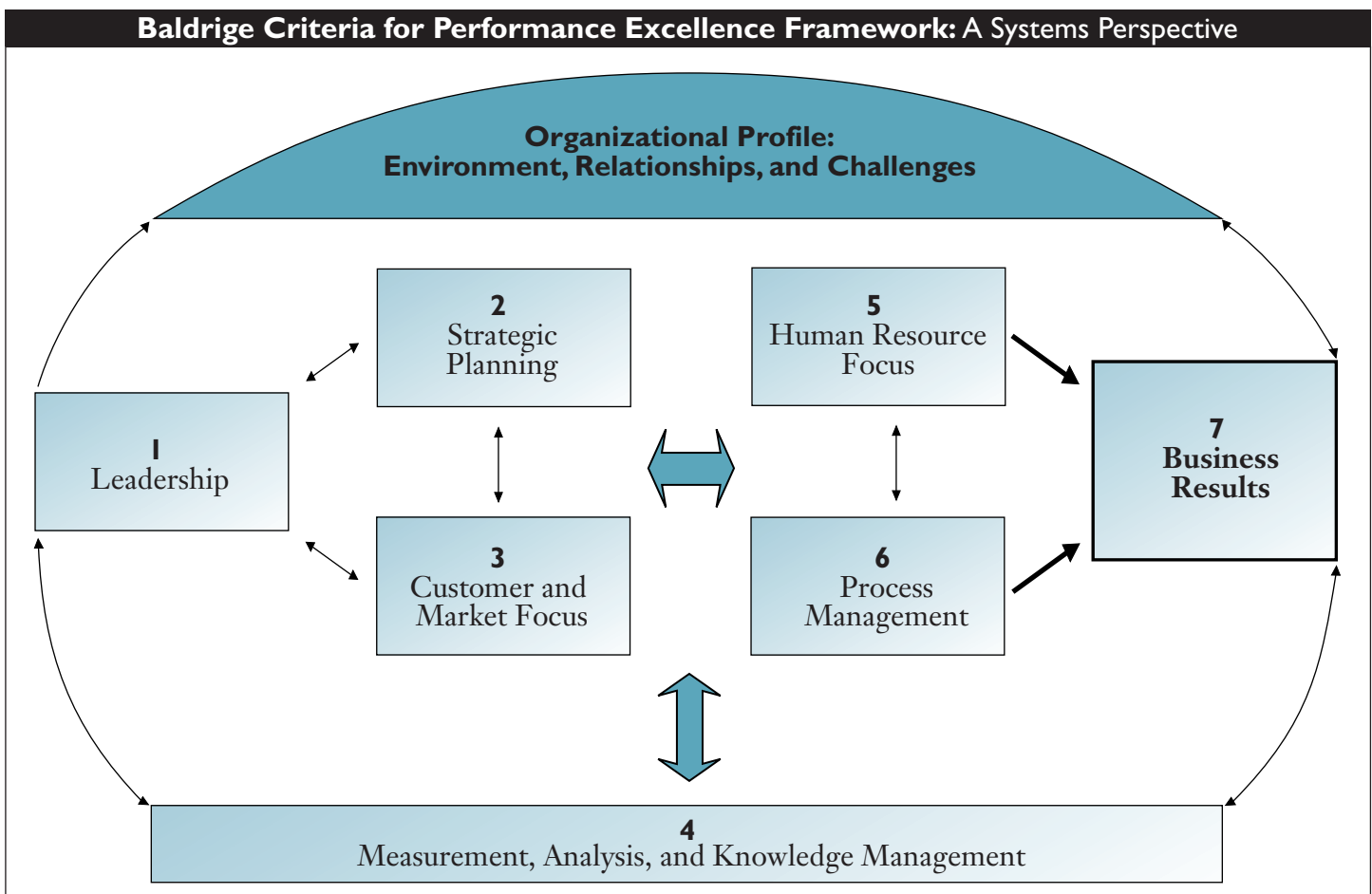
Criteria Structure

The seven Criteria Categories shown in the figure are subdivided into Items and Areas to Address.

Items

There are 19 Items, each focusing on a major requirement. Item titles and point values are given on page 9. The Item format is shown on page 59.

Areas to Address

Items consist of one or more Areas to Address (Areas). Organizations should address their responses to the specific requirements of these Areas.

Baldrige Criteria for Performance Excellence Framework: A Systems Perspective

Organizational Profile:
Environment, Relationships, and Challenges

2 Strategic Planning

5 Human Resource Focus

1 Leadership

7 Business Results

3 Customer and Market Focus

6 Process Management

4 Measurement, Analysis, and Knowledge Management

Key Characteristics of the Criteria

1. The Criteria focus on business results.

The Criteria focus on the key areas of organizational performance given below.

> **Organizational performance areas:**
>
> (1) customer-focused results
>
> (2) product and service results
>
> (3) financial and market results
>
> (4) human resource results
>
> (5) organizational effectiveness results, including key internal operational performance measures
>
> (6) governance and social responsibility results

The use of this composite of measures is intended to ensure that strategies are balanced—that they do not inappropriately trade off among important stakeholders, objectives, or short- and longer-term goals.

2. The Criteria are nonprescriptive and adaptable.

The Criteria are made up of results-oriented requirements. However, the Criteria *do not* prescribe

- that your organization should or should not have departments for quality, planning, or other functions;

- how your organization should be structured; or

- that different units in your organization should be managed in the same way.

These factors differ among organizations, and they are likely to change as needs and strategies evolve.

The Criteria are nonprescriptive for the following reasons:

(1) The focus is on results, not on procedures, tools, or organizational structure. Organizations are encouraged to develop and demonstrate creative, adaptive, and flexible approaches for meeting requirements. Nonprescriptive requirements are intended to foster incremental and major ("breakthrough") improvements, as well as basic change.

(2) The selection of tools, techniques, systems, and organizational structure usually depends on factors such as business type and size, organizational relationships, your organization's stage of development, and employee capabilities and responsibilities.

(3) A focus on common requirements, rather than on common procedures, fosters understanding, communication, sharing, and alignment, while supporting innovation and diversity in approaches.

3. The Criteria support a systems perspective to maintaining organization-wide goal alignment.

The systems perspective to goal alignment is embedded in the integrated structure of the Core Values and Concepts, the Organizational Profile, the Criteria, and the results-oriented, cause-effect linkages among the Criteria Items.

Alignment in the Criteria is built around connecting and reinforcing measures derived from your organization's processes and strategy. These measures tie directly to customer value and to overall performance. The use of measures thus channels different activities in consistent directions with less need for detailed procedures, centralized decision making, or overly complex process management. Measures thereby serve both as a communications tool and a basis for deploying consistent overall performance requirements. Such alignment ensures consistency of purpose while also supporting agility, innovation, and decentralized decision making.

A systems perspective to goal alignment, particularly when strategy and goals change over time, requires dynamic linkages among Criteria Items. In the Criteria, action-oriented cycles of learning take place via feedback between processes and results.

The learning cycles have four, clearly defined stages:

(1) planning, including design of processes, selection of measures, and deployment of requirements

(2) executing plans

(3) assessing progress and capturing new knowledge, taking into account internal and external results

(4) revising plans based upon assessment findings, learning, new inputs, and new requirements

4. The Criteria support goal-based diagnosis.

The Criteria and the Scoring Guidelines make up a two-part diagnostic (assessment) system. The Criteria are a set of 19 performance-oriented requirements. The Scoring Guidelines spell out the assessment dimensions—Process and Results—and the key factors used to assess each dimension. An assessment thus provides a profile of strengths and opportunities for improvement relative to the 19 performance-oriented requirements. In this way, assessment leads to actions that contribute to performance improvement in all areas, as described in the shaded box above. This diagnostic assessment is a useful management tool that goes beyond most performance reviews and is applicable to a wide range of strategies and management systems.

CHANGES FROM THE 2003 CRITERIA

The Criteria for Performance Excellence have evolved significantly over time to help businesses address a dynamic marketplace, focus on strategy-driven performance, and most recently address national concerns about governance and ethics. The Criteria have continually progressed toward an integrated systems perspective of overall organizational performance management.

Each year, the decision whether to revise the Criteria must balance two important considerations. On one hand, there is a need for Criteria that are at the leading edge of validated management practice to help users address the increasingly complex challenges they face; on the other hand, there is a desire to stabilize the Criteria to allow users continuity in their applications. Recognizing the significant challenges associated with the changes made to Categories 1 (Leadership), 4 (Measurement, Analysis, and Knowledge Management), 6 (Process Management), and 7 (Business Results) in the 2003 Criteria and the challenges provided by the added focus on "running the business" today and "changing the business" to prepare for the future, the decision was made to make no revisions to the Criteria or to the Item Notes for 2004.

The most significant changes in the Criteria booklet for 2004 are summarized as follows:

- The Scoring System description and the Scoring Guidelines table have been rewritten and redesigned.

- The Category and Item Descriptions section has been expanded to include the Organizational Profile.

- An Index of Key Terms has been added to the Criteria booklet.

- "Ethical Behavior," "Learning," and "Segment" have been added to the Glossary of Key Terms.

Minor wording improvements have been made in other sections of the Criteria booklet, with the exception of the actual Criteria Items and Item Notes.

Scoring System and Scoring Guidelines
- Items in Criteria Categories 1–6 are now designated as "Process" Items, evaluated on four factors: Approach, Deployment, Learning, and Integration (A-D-L-I). This change emphasizes that, beyond establishing an approach and deploying it, high-performing organizations focus on process and organizational improvement (learning) and process integration with other organizational imperatives. This may be viewed as an updated Plan-Do-Check-Act (P-D-C-A) or Plan-Do-Study-Act (P-D-S-A) cycle.

- Each scoring range for Process Items has achievement level descriptors for A-D-L-I. An Item score is based on a holistic view, not a checklist, of the organization's achievement level across all four factors.

- Each scoring range for Results Items also considers four factors, with scoring based on a holistic view of the achievement level across all four factors.

- The Process Item (page 56) and the Results Item (page 57) Scoring Guidelines are presented as scoring continuums with 5-point increments.

Index of Key Terms
- This new index includes key terms from cover-to-cover of the Criteria booklet.

- The index is not exhaustive; it includes only those terms considered "key" to understanding the Baldrige Criteria and the Baldrige Program.

Glossary of Key Terms
- The three terms added—"Ethical Behavior," "Learning," and "Segment"—have specific meaning and significance in a Baldrige assessment. To help users better understand these terms, they are defined and then described in greater detail.

- The descriptions of many other terms in the glossary also have been revised to align with the changes in the Scoring System and Scoring Guidelines.

Are We Making Progress?

If you have been using the Baldrige Criteria in your organization and want to evaluate how much progress has been made from your employees' perspective, consider using our employee questionnaire *Are We Making Progress?* Available in English and Spanish, this short questionnaire is organized according to the seven Baldrige Criteria Categories.

Compare the results with the perceptions of your managers and supervisors, or your senior leadership team, using our companion piece *Are We Making Progress as Leaders?*

You may download a PDF version of *Are We Making Progress?* from the Baldrige Web site at www.baldrige.nist.gov or request a paper copy of the document by calling (301) 975-2036.

P   **Preface: Organizational Profile**

     P.1   Organizational Description

     P.2   Organizational Challenges

2004 Categories and Items   **Point Values**

1	**Leadership**	**120**
	1.1 Organizational Leadership	70
	1.2 Social Responsibility	50
2	**Strategic Planning**	**85**
	2.1 Strategy Development	40
	2.2 Strategy Deployment	45
3	**Customer and Market Focus**	**85**
	3.1 Customer and Market Knowledge	40
	3.2 Customer Relationships and Satisfaction	45
4	**Measurement, Analysis, and Knowledge Management**	**90**
	4.1 Measurement and Analysis of Organizational Performance	45
	4.2 Information and Knowledge Management	45
5	**Human Resource Focus**	**85**
	5.1 Work Systems	35
	5.2 Employee Learning and Motivation	25
	5.3 Employee Well-Being and Satisfaction	25
6	**Process Management**	**85**
	6.1 Value Creation Processes	50
	6.2 Support Processes	35
7	**Business Results**	**450**
	7.1 Customer-Focused Results	75
	7.2 Product and Service Results	75
	7.3 Financial and Market Results	75
	7.4 Human Resource Results	75
	7.5 Organizational Effectiveness Results	75
	7.6 Governance and Social Responsibility Results	75
	TOTAL POINTS	**1000**

Note: The Scoring System used with the Criteria Items in a Baldrige assessment can be found on pages 55–58.

Importance of Beginning with Your Organizational Profile

Your Organizational Profile is critically important because

- it is the most appropriate starting point for self-assessment and for writing an application;

- it helps you identify potential gaps in KEY information and focus on KEY PERFORMANCE requirements and business RESULTS;

- it is used by the Examiners and Judges in application review, including the site visit, to understand your organization and what you consider important; and

- it also may be used by itself for an initial self-assessment. If you identify topics for which conflicting, little, or no information is available, it is possible that your assessment need go no further, and you can use these topics for action planning.

P | Preface: Organizational Profile

The *Organizational Profile* is a snapshot of your organization, the KEY influences on HOW you operate, and the KEY challenges you face.

P.1 Organizational Description

Describe your organization's business environment and your KEY relationships with CUSTOMERS, suppliers, and other partners.

Within your response, include answers to the following questions:

a. Organizational Environment
   (1) What are your organization's main products and services? What are the delivery mechanisms used to provide your products and services to your CUSTOMERS?

   (2) What is your organizational culture? What are your stated PURPOSE, VISION, MISSION, and VALUES?

   (3) What is your employee profile? What are their educational levels? What are your organization's workforce and job diversity, organized bargaining units, use of contract employees, and special health and safety requirements?

   (4) What are your major technologies, equipment, and facilities?

   (5) What is the regulatory environment under which your organization operates? What are the applicable occupational health and safety regulations; accreditation, certification, or registration requirements; and environmental, financial, and product regulations?

b. Organizational Relationships
   (1) What is your organizational structure and GOVERNANCE system? What are the reporting relationships among your board of directors, SENIOR LEADERS, and your parent organization, as appropriate?

   (2) What are your KEY CUSTOMER groups and market SEGMENTS, as appropriate? What are their KEY requirements and expectations for your products and services? What are the differences in these requirements and expectations among CUSTOMER groups and market SEGMENTS?

   (3) What role do suppliers and distributors play in your VALUE CREATION PROCESSES? What are your most important types of suppliers and distributors? What are your most important supply chain requirements?

   (4) What are your KEY supplier and CUSTOMER partnering relationships and communication mechanisms?

N1. Product and service delivery to your customers (P.1a[1]) might be direct, or through dealers, distributors, or channel partners.

N2. Market segments (P.1b[2]) might be based on product lines or features, geography, distribution channels, business volume, or other factors that allow your organization to define related market characteristics.

N3. Customer group and market segment requirements (P.1b[2]) might include on-time delivery, low defect levels, ongoing price reductions, electronic communication, and after-sales service.

N4. Communication mechanisms (P.1b[4]) should be two-way and might be in person, electronic, by telephone, and/or written. For many organizations, these mechanisms might be changing as marketplace requirements change.

For definitions of key terms presented throughout the Criteria and Scoring Guidelines text in SMALL CAPS/ SANS SERIF, see Glossary of Key Terms on pages 30–36.

Frequently, several questions are grouped under one number (e.g., P.1a[3]). These questions are related and do not require separate responses. These multiple questions serve as a guide in understanding the full meaning of the information being requested.

Item notes serve three purposes: (1) to clarify terms or requirements presented in an Item, (2) to give instructions on responding to the Item requirements, and (3) to indicate key linkages to other Items. In all cases, the intent is to help you respond to the Item requirements.

P.2 Organizational Challenges

Describe your organization's competitive environment, your KEY STRATEGIC CHALLENGES, and your system for PERFORMANCE improvement.

Within your response, include answers to the following questions:

a. **Competitive Environment**

(1) What is your competitive position? What is your relative size and growth in your industry or markets served? What are the numbers and types of competitors for your organization?

(2) What are the principal factors that determine your success relative to your competitors? What are any KEY changes taking place that affect your competitive situation?

(3) What are your KEY available sources of comparative and competitive data from within your industry? What are your KEY available sources of comparative data for analogous PROCESSES outside your industry? What limitations, if any, are there in your ability to obtain these data?

b. **Strategic Challenges**

What are your KEY business, operational, and human resource STRATEGIC CHALLENGES?

c. **PERFORMANCE Improvement System**

(1) What is the overall APPROACH you use to maintain an organizational focus on PERFORMANCE improvement and to guide SYSTEMATIC evaluation and improvement of KEY PROCESSES?

(2) What is your overall APPROACH to organizational LEARNING and sharing your KNOWLEDGE ASSETS within the organization?

Notes:

N1. Factors (P.2a[2]) might include differentiators such as price leadership, design services, e-services, geographic proximity, and warranty and product options.

N2. Challenges (P.2b) might include electronic communication with businesses and end-use consumers, reduced cycle times for product introduction, mergers and acquisitions, global marketing and competition, customer retention, staff retention, and value chain integration.

N3. Performance improvement (P.2c) is an assessment dimension used in the Scoring System to evaluate the maturity of organizational approaches and deployment (see pages 55–58). This question is intended to help you and the Baldrige Examiners set a context for your approach to performance improvement.

N4. Overall approaches to process improvement (P.2c[1]) might include implementing a Lean Enterprise System, Six Sigma methodology, use of ISO 9000:2000 standards, or other process improvement tools.

Page Limit

For Baldrige Award applicants, the Organizational Profile is limited to five pages. These pages are not counted in the overall application page limit. Typing and format instructions for the Organizational Profile are the same as for the application. These instructions are given in the *Baldrige Award Application Forms* booklet. Ordering information is given on pages 66–67.

I Leadership (120 pts.)

The *Leadership* Category examines HOW your organization's SENIOR LEADERS address VALUES, directions, and PERFORMANCE expectations, as well as a focus on CUSTOMERS and other STAKEHOLDERS, EMPOWERMENT, INNOVATION, and LEARNING. Also examined are your organization's GOVERNANCE and HOW your organization addresses its public and community responsibilities.

1.1 Organizational Leadership (70 pts.)   Process

Describe HOW SENIOR LEADERS guide your organization. Describe your organization's GOVERNANCE system. Describe HOW SENIOR LEADERS review organizational PERFORMANCE.

Within your response, include answers to the following questions:

a. **Senior Leadership Direction**

   (1) HOW do SENIOR LEADERS set and deploy organizational VALUES, short- and longer-term directions, and PERFORMANCE expectations? HOW do SENIOR LEADERS include a focus on creating and balancing VALUE for CUSTOMERS and other STAKEHOLDERS in their PERFORMANCE expectations? HOW do SENIOR LEADERS communicate organizational VALUES, directions, and expectations through your LEADERSHIP SYSTEM, to all employees, and to KEY suppliers and partners? HOW do SENIOR LEADERS ensure two-way communication on these topics?

   (2) HOW do SENIOR LEADERS create an environment for EMPOWERMENT, INNOVATION, and organizational agility? HOW do they create an environment for organizational and employee LEARNING? HOW do they create an environment that fosters and requires legal and ETHICAL BEHAVIOR?

b. **Organizational GOVERNANCE**

   HOW does your organization address the following KEY factors in your GOVERNANCE system?

   * management accountability for the organization's actions

   * fiscal accountability

   * independence in internal and external audits

   * protection of stockholder and STAKEHOLDER interests, as appropriate

c. **Organizational PERFORMANCE Review**

   (1) HOW do SENIOR LEADERS review organizational PERFORMANCE and capabilities? HOW do they use these reviews to assess organizational success, competitive PERFORMANCE, and progress relative to short- and longer-term GOALS? HOW do they use these reviews to assess your organizational ability to address changing organizational needs?

   (2) What are the KEY PERFORMANCE MEASURES regularly reviewed by your SENIOR LEADERS? What are your KEY recent PERFORMANCE review findings?

   (3) HOW do SENIOR LEADERS translate organizational PERFORMANCE review findings into priorities for continuous and breakthrough improvement of KEY business RESULTS and into opportunities for INNOVATION? HOW are these priorities and opportunities deployed throughout your organization? When appropriate, HOW are they deployed to your suppliers and partners to ensure organizational ALIGNMENT?

   (4) HOW do you evaluate the PERFORMANCE of your SENIOR LEADERS, including the chief executive? HOW do you evaluate the PERFORMANCE of members of the board of directors, as appropriate? HOW do SENIOR LEADERS use organizational PERFORMANCE review findings to improve both their own leadership effectiveness and that of your board and LEADERSHIP SYSTEM, as appropriate?

Notes:

N1. Organizational directions (1.1a[1]) relate to creating the vision for the organization and to setting the context for strategic objectives and action plans described in Items 2.1 and 2.2.

N2. Senior leaders' organizational performance reviews (1.1c) should be informed by organizational performance analyses described in 4.1b and guided by strategic objectives and action plans described in

Items 2.1 and 2.2. Senior leaders' organizational performance reviews also might be informed by internal or external Baldrige assessments.

N3. Leadership performance evaluation (1.1c[4]) might be supported by peer reviews, formal perfor-mance management reviews (5.1b), and formal and/or informal employee and other stakeholder feedback and surveys.

N4. Your organizational performance results should be reported in Items 7.1–7.6.

Item responses are assessed by considering the Criteria Item requirements; your KEY business factors presented in your Organizational Profile; and the maturity of your APPROACHES, breadth of DEPLOYMENT, and strength of your improvement PROCESS and RESULTS relative to the Scoring System. Refer to the Scoring System information on pages 55–58.

For additional description of this Item, see pages 38–39.

1.2 Social Responsibility (50 pts.)   `Process`

Describe HOW your organization addresses its responsibilities to the public, ensures ETHICAL BEHAVIOR, and practices good citizenship.

Within your response, include answers to the following questions:

a. Responsibilities to the Public
   (1) **How** do you address the impacts on society of your products, services, and operations? What are your KEY compliance PROCESSES, MEASURES, and GOALS for achieving and surpassing regulatory and legal require-ments, as appropriate? What are your KEY PROCESSES, MEASURES, and GOALS for addressing risks associated with your products, services, and operations?

   (2) **How** do you anticipate public concerns with current and future products, services, and operations? **How** do you prepare for these concerns in a proactive manner?

b. ETHICAL BEHAVIOR
   How do you ensure ETHICAL BEHAVIOR in all STAKEHOLDER transactions and interactions? What are your KEY PROCESSES and MEASURES or INDICATORS for monitoring ETHICAL BEHAVIOR throughout your organization, with KEY partners, and in your GOVERNANCE structure?

c. Support of KEY Communities
   How does your organization actively support and strengthen your KEY communities? **How** do you identify KEY communities and determine areas of emphasis for organizational involvement and support? What are your KEY communities? **How** do your SENIOR LEADERS and your employees contribute to improving these communities?

Notes:

N1. Societal responsibilities in areas critical to your business also should be addressed in Strategy Development (Item 2.1) and in Process Management (Category 6). Key results, such as results of regulatory and legal compliance or environmental improvements through use of "green" technology or other means, should be reported as Governance and Social Responsibility Results (in Item 7.6).

N2. Measures or indicators of ethical behavior (1.2b) might include the percentage of independent board members, measures of relationships with stockholder and nonstockholder constituencies, and results of ethics reviews and audits.

N3. Areas of community support appropriate for inclusion in 1.2c might include your efforts to strengthen local community services, education, and health; the environment; and practices of trade, business, or professional associations.

N4. The health and safety of employees are not addressed in Item 1.2; you should address these employee factors in Item 5.3.

For additional description of this Item, see pages 39–40.

2 Strategic Planning (85 pts.)

The *Strategic Planning* Category examines HOW your organization develops STRATEGIC OBJECTIVES and ACTION PLANS. Also examined are HOW your chosen STRATEGIC OBJECTIVES and ACTION PLANS are deployed and HOW progress is measured.

2.1 Strategy Development (40 pts.) Process

Describe HOW your organization establishes its STRATEGIC OBJECTIVES, including HOW it enhances its competitive position, overall PERFORMANCE, and future success.

Within your response, include answers to the following questions:

a. Strategy Development PROCESS

(1) What is your overall strategic planning PROCESS? What are the KEY steps? Who are the KEY participants? What are your short- and longer-term planning time horizons? How are these time horizons set? How does your strategic planning PROCESS address these time horizons?

(2) How do you ensure that strategic planning addresses the KEY factors listed below? How do you collect and analyze relevant data and information to address these factors as they relate to your strategic planning:

- your CUSTOMER and market needs, expectations, and opportunities

- your competitive environment and your capabilities relative to competitors

- technological and other KEY INNOVATIONS or changes that might affect your products and services and HOW you operate

- your strengths and weaknesses, including human and other resources

- your opportunities to redirect resources to higher priority products, services, or areas

- financial, societal and ethical, regulatory, and other potential risks

- changes in the national or global economy

- factors unique to your organization, including partner and supply chain needs, strengths, and weaknesses

b. STRATEGIC OBJECTIVES

(1) What are your KEY STRATEGIC OBJECTIVES and your timetable for accomplishing them? What are your most important GOALS for these STRATEGIC OBJECTIVES?

(2) How do your STRATEGIC OBJECTIVES address the challenges identified in response to P.2 in your Organizational Profile? How do you ensure that your STRATEGIC OBJECTIVES balance short- and longer-term challenges and opportunities? How do you ensure that your STRATEGIC OBJECTIVES balance the needs of all KEY STAKEHOLDERS?

Notes:

N1. "Strategy development" refers to your organization's approach (formal or informal) to preparing for the future. Strategy development might utilize various types of forecasts, projections, options, scenarios, and/or other approaches to envisioning the future for purposes of decision making and resource allocation.

N2. "Strategy" should be interpreted broadly. Strategy might be built around or lead to any or all of the following: new products, services, and markets; revenue growth via various approaches, including acquisitions; and new partnerships and alliances. Strategy might be directed toward becoming a preferred supplier, a local supplier in each of your major customers' markets, a low-cost producer, a market innovator, or a high-end or customized product or service provider.

N3. Strategies to address key challenges (2.1b[2]) might include rapid response, customization, Lean or Virtual Manufacturing, rapid innovation, ISO 9000: 2000 registration, Web-based supplier and customer relationship management, and product and service quality. Responses to Item 2.1 should focus on your specific challenges—those most important to your business success and to strengthening your organization's overall performance.

N4. Item 2.1 addresses your overall organizational strategy, which might include changes in services, products, and product lines. However, the Item does not address product and service design; you should address these factors in Item 6.1, as appropriate.

2.2 Strategy Deployment (45 pts.) `Process`

Describe HOW your organization converts its STRATEGIC OBJECTIVES into ACTION PLANS. Summarize your organization's ACTION PLANS and related KEY PERFORMANCE MEASURES or INDICATORS. Project your organization's future PERFORMANCE on these KEY PERFORMANCE MEASURES or INDICATORS.

Within your response, include answers to the following questions:

a. ACTION PLAN Development and DEPLOYMENT

(1) How do you develop and deploy ACTION PLANS to achieve your KEY STRATEGIC OBJECTIVES? How do you allocate resources to ensure accomplishment of your ACTION PLANS? How do you ensure that the KEY changes resulting from ACTION PLANS can be sustained?

(2) What are your KEY short- and longer-term ACTION PLANS? What are the KEY changes, if any, in your products and services, your CUSTOMERS and markets, and HOW you will operate?

(3) What are your KEY human resource plans that derive from your short- and longer-term STRATEGIC OBJECTIVES and ACTION PLANS?

(4) What are your KEY PERFORMANCE MEASURES or INDICATORS for tracking progress on your ACTION PLANS? How do you ensure that your overall ACTION PLAN measurement system reinforces organizational ALIGNMENT? How do you ensure that the measurement system covers all KEY DEPLOYMENT areas and STAKEHOLDERS?

b. PERFORMANCE PROJECTION

For the KEY PERFORMANCE MEASURES or INDICATORS identified in 2.2a(4), what are your PERFORMANCE PROJECTIONS for both your short- and longer-term planning time horizons? How does your projected PERFORMANCE compare with competitors' projected PERFORMANCE? How does it compare with KEY BENCHMARKS, GOALS, and past PERFORMANCE, as appropriate?

Notes:

N1. Strategy and action plan development and deployment are closely linked to other Items in the Criteria. Examples of key linkages are

- Item 1.1 for how your senior leaders set and communicate directions;

- Category 3 for gathering customer and market knowledge as input to your strategy and action plans and for deploying action plans;

- Category 4 for information, analysis, and knowledge management to support your key information needs, to support your development of strategy, to provide an effective basis for your performance measurements, and to track progress relative to your strategic objectives and action plans;

- Category 5 for your work system needs; employee education, training, and development needs; and related human resource factors resulting from action plans;

- Category 6 for process requirements resulting from your action plans; and

- Item 7.5 for specific accomplishments relative to your organizational strategy and action plans.

N2. Measures and indicators of projected performance (2.2b) might include changes resulting from new business ventures; business acquisitions or mergers; new value creation; market entry and shifts; and significant anticipated innovations in products, services, and technology.

3 Customer and Market Focus (85 pts.)

The **CUSTOMER and Market Focus** Category examines HOW your organization determines requirements, expectations, and preferences of CUSTOMERS and markets. Also examined is HOW your organization builds relationships with CUSTOMERS and determines the KEY factors that lead to CUSTOMER acquisition, satisfaction, loyalty and retention, and to business expansion.

3.1 Customer and Market Knowledge (40 pts.)   `Process`

Describe HOW your organization determines requirements, expectations, and preferences of CUSTOMERS and markets to ensure the continuing relevance of your products and services and to develop new opportunities.

Within your response, include answers to the following questions:

a. CUSTOMER and Market Knowledge

(1) **How** do you determine or target CUSTOMERS, CUSTOMER groups, and market SEGMENTS? **How** do you include CUSTOMERS of competitors and other potential CUSTOMERS and markets in this determination?

(2) **How** do you listen and learn to determine KEY CUSTOMER requirements and expectations (including product and service features) and their relative importance to CUSTOMERS' purchasing decisions? **How** do determination methods vary for different CUSTOMERS or CUSTOMER groups? **How** do you use relevant information from current and former CUSTOMERS, including marketing and sales information, CUSTOMER loyalty and retention data, win/loss ANALYSIS, and complaints? **How** do you use this information for PURPOSES of product and service planning, marketing, PROCESS improvements, and other business development?

(3) **How** do you keep your listening and LEARNING methods current with business needs and directions?

Notes:

N1. Your responses to this Item should include the customer groups and market segments identified in P.1b(2).

N2. If your products and services are sold to or delivered to end-use customers via other businesses such as retail stores or dealers, customer groups (3.1a[1]) should include both the end users and these intermediate businesses.

N3. "Product and service features" (3.1a[2]) refers to all the important characteristics of products and services and to their performance throughout their full life cycle and the full "consumption chain." This includes all customers' purchase experiences and other interactions with your organization that influence purchase decisions. The focus should be on features that affect customer preference and repeat business— for example, those features that differentiate your

products and services from competing offerings. Those features might include price, reliability, value, delivery, requirements for hazardous materials use and disposal, customer or technical support, and the sales relationship. Key product and service features and purchasing decisions (3.1a[2]) might take into account how transactions occur and factors such as confidentiality and security.

N4. Listening and learning (3.1a[2]) might include gathering and integrating surveys, focus group findings, and Web-based and other data and information that bear upon customers' purchasing decisions. Keeping your listening and learning methods current with business needs and directions (3.1a[3]) also might include use of newer technology, such as Web-based data gathering.

Describe how your organization builds relationships to acquire, satisfy, and retain customers, to increase customer loyalty, and to develop new opportunities. Describe also how your organization determines customer satisfaction.

Within your response, include answers to the following questions:

a. Customer Relationship Building

(1) **How** do you build relationships to acquire customers, to meet and exceed their expectations, to increase loyalty and repeat business, and to gain positive referrals?

(2) What are your key access mechanisms for customers to seek information, conduct business, and make complaints? **How** do you determine key customer contact requirements for each mode of customer access? **How** do you ensure that these contact requirements are deployed to all people and processes involved in the customer response chain?

(3) What is your complaint management process? **How** do you ensure that complaints are resolved effectively and promptly? **How** are complaints aggregated and analyzed for use in improvement throughout your organization and by your partners?

(4) **How** do you keep your approaches to building relationships and providing customer access current with business needs and directions?

b. Customer Satisfaction Determination

(1) **How** do you determine customer satisfaction and dissatisfaction? **How** do these determination methods differ among customer groups? **How** do you ensure that your measurements capture actionable information for use in exceeding your customers' expectations, securing their future business, and gaining positive referrals? **How** do you use customer satisfaction and dissatisfaction information for improvement?

(2) **How** do you follow up with customers on products, services, and transaction quality to receive prompt and actionable feedback?

(3) **How** do you obtain and use information on your customers' satisfaction relative to customers' satisfaction with your competitors and/or industry benchmarks?

(4) **How** do you keep your approaches to determining satisfaction current with business needs and directions?

Notes:

N1. Customer relationship building (3.2a) might include the development of partnerships or alliances with customers.

N2. Determining customer satisfaction and dissatisfaction (3.2b) might include use of any or all of the following: surveys, formal and informal feedback, customer account histories, complaints, win/loss analysis, and transaction completion rates. Information might be gathered on the Internet, through personal contact or a third party, or by mail.

N3. Customer satisfaction measurements might include both a numerical rating scale and descriptors for each unit in the scale. Actionable customer satisfaction measurements provide useful information about specific product and service features, delivery, relationships, and transactions that bear upon the customers' future actions—repeat business and positive referral.

N4. Your customer satisfaction and dissatisfaction results should be reported in Item 7.1.

4 Measurement, Analysis, and Knowledge Management (90 pts.)

The *Measurement, ANALYSIS, and Knowledge Management* Category examines HOW your organization selects, gathers, analyzes, manages, and improves its data, information, and KNOWLEDGE ASSETS.

4.1 Measurement and Analysis of Organizational Performance (45 pts.)

Process

Describe HOW your organization measures, analyzes, aligns, and improves its PERFORMANCE data and information at all levels and in all parts of your organization.

Within your response, include answers to the following questions:

a. PERFORMANCE Measurement

(1) How do you select, collect, align, and integrate data and information for tracking daily operations and for tracking overall organizational PERFORMANCE? How do you use these data and information to support organizational decision making and INNOVATION?

(2) How do you select and ensure the EFFECTIVE use of KEY comparative data and information to support operational and strategic decision making and INNOVATION?

(3) How do you keep your PERFORMANCE measurement system current with business needs and directions? How do you ensure that your PERFORMANCE measurement system is sensitive to rapid or unexpected organizational or external changes?

b. PERFORMANCE ANALYSIS

(1) What ANALYSES do you perform to support your SENIOR LEADERS' organizational PERFORMANCE review? What ANALYSES do you perform to support your organization's strategic planning?

(2) How do you communicate the RESULTS of organizational-level ANALYSES to work group and functional-level operations to enable EFFECTIVE support for their decision making?

Notes:

N1. Performance measurement is used in fact-based decision making for setting and aligning organizational directions and resource use at the work unit, key process, departmental, and whole organization levels.

N2. Comparative data and information (4.1a[2]) are obtained by benchmarking and by seeking competitive comparisons. "Benchmarking" refers to identifying processes and results that represent best practices and performance for similar activities, inside or outside your organization's industry. Competitive comparisons relate your organization's performance to that of competitors in your markets.

N3. Analysis includes examining trends; organizational, industry, and technology projections; and comparisons, cause-effect relationships, and correlations intended to support your performance reviews, help determine root causes, and help set priorities for resource use. Accordingly, analysis draws upon all types of data: customer-related, financial and market, operational, and competitive.

N4. The results of organizational performance analysis should contribute to your senior leaders' organizational performance review in 1.1c and organizational strategic planning in Category 2.

N5. Your organizational performance results should be reported in Items 7.1–7.6.

4.2 Information and Knowledge Management (45 pts.)

Describe HOW your organization ensures the quality and availability of needed data and information for employees, suppliers and partners, and CUSTOMERS. Describe HOW your organization builds and manages its KNOWLEDGE ASSETS.

Within your response, include answers to the following questions:

a. Data and Information Availability

(1) **How** do you make needed data and information available? **How** do you make them accessible to employees, suppliers and partners, and CUSTOMERS, as appropriate?

(2) **How** do you ensure that hardware and software are reliable, secure, and user friendly?

(3) **How** do you keep your data and information availability mechanisms, including your software and hardware systems, current with business needs and directions?

b. Organizational Knowledge

(1) **How** do you manage organizational knowledge to accomplish

- the collection and transfer of employee knowledge

- the transfer of relevant knowledge from CUSTOMERS, suppliers, and partners

- the identification and sharing of best practices

(2) **How** do you ensure the following properties of your data, information, and organizational knowledge:

- integrity

- timeliness

- reliability

- security

- accuracy

- confidentiality

Notes:

N1. Data and information availability (4.2a) are of growing importance as the Internet, e-business, and e-commerce are used increasingly for business-to-business and business-to-consumer interactions and as intranets become more important as a major source of organization-wide communications.

N2. Data and information access (4.2a[1]) might be via electronic and other means.

5 Human Resource Focus (85 pts.)

The *Human Resource Focus* Category examines HOW your organization's WORK SYSTEMS and employee LEARNING and motivation enable employees to develop and utilize their full potential in ALIGNMENT with your organization's overall objectives and ACTION PLANS. Also examined are your organization's efforts to build and maintain a work environment and employee support climate conducive to PERFORMANCE EXCELLENCE and to personal and organizational growth.

5.1 Work Systems (35 pts.) Process

Describe HOW your organization's work and jobs enable employees and the organization to achieve HIGH PERFORMANCE. Describe HOW compensation, career progression, and related workforce practices enable employees and the organization to achieve HIGH PERFORMANCE.

Within your response, include answers to the following questions:

a. Organization and Management of Work

(1) **How** do you organize and manage work and jobs to promote cooperation, initiative, EMPOWERMENT, INNOVATION, and your organizational culture? **How** do you organize and manage work and jobs to achieve the agility to keep current with business needs?

(2) **How** do your WORK SYSTEMS capitalize on the diverse ideas, cultures, and thinking of your employees and the communities with which you interact (your employee hiring and your CUSTOMER communities)?

(3) **How** do you achieve EFFECTIVE communication and skill sharing across work units, jobs, and locations?

b. Employee PERFORMANCE Management System

How does your employee PERFORMANCE management system, including feedback to employees, support HIGH-PERFORMANCE WORK? **How** does your employee PERFORMANCE management system support a CUSTOMER and business focus? **How** do your compensation, recognition, and related reward and incentive practices reinforce HIGH-PERFORMANCE WORK and a CUSTOMER and business focus?

c. Hiring and Career Progression

(1) **How** do you identify characteristics and skills needed by potential employees?

(2) **How** do you recruit, hire, and retain new employees? **How** do you ensure that the employees represent the diverse ideas, cultures, and thinking of your employee hiring community?

(3) **How** do you accomplish EFFECTIVE succession planning for leadership and management positions, including senior leadership? **How** do you manage EFFECTIVE career progression for all employees throughout the organization?

Notes:

N1. "Employees" refers to your organization's permanent, temporary, and part-time personnel, as well as any contract employees supervised by your organization. Employees include team leaders, supervisors, and managers at all levels. Contract employees supervised by a contractor should be addressed in Category 6.

N2. "Your organization's work" refers to how your employees are organized or organize themselves in formal and informal, temporary, or longer-term units. This might include work teams, process teams, project teams, customer action teams, problem-solving teams, centers of excellence, functional units, remote (e.g., at-home) workers, cross-functional teams, and departments—self-managed or managed by supervisors.

"Jobs" refers to responsibilities, authorities, and tasks of individuals. In some work systems, jobs might be shared by a team.

N3. Compensation and recognition (5.1b) include promotions and bonuses that might be based upon performance, skills acquired, and other factors. Recognition includes monetary and nonmonetary, formal and informal, and individual and group mechanisms.

5.2 Employee Learning and Motivation (25 pts.)

Describe HOW your organization's employee education, training, and career development support the achievement of your overall objectives and contribute to HIGH PERFORMANCE. Describe HOW your organization's education, training, and career development build employee knowledge, skills, and capabilities.

Within your response, include answers to the following questions:

a. **Employee Education, Training, and Development**

(1) **How** do employee education and training contribute to the achievement of your ACTION PLANS? **How** do your employee education, training, and development address your KEY needs associated with organizational PERFORMANCE measurement, PERFORMANCE improvement, and technological change? **How** does your education and training APPROACH balance short- and longer-term organizational objectives with employee needs for development, LEARNING, and career progression?

(2) **How** do employee education, training, and development address your KEY organizational needs associated with new employee orientation, diversity, ethical business practices, and management and leadership development? **How** do employee education, training, and development address your KEY organizational needs associated with employee, workplace, and environmental safety?

(3) **How** do you seek and use input from employees and their supervisors and managers on education and training needs? **How** do you incorporate your organizational LEARNING and KNOWLEDGE ASSETS into your education and training?

(4) **How** do you deliver education and training? **How** do you seek and use input from employees and their supervisors and managers on options for the delivery of education and training? **How** do you use both formal and informal delivery APPROACHES, including mentoring and other APPROACHES, as appropriate?

(5) **How** do you reinforce the use of new knowledge and skills on the job?

(6) **How** do you evaluate the effectiveness of education and training, taking into account individual and organizational PERFORMANCE?

b. **Motivation and Career Development**
How do you motivate employees to develop and utilize their full potential? **How** does your organization use formal and informal mechanisms to help employees attain job- and career-related development and LEARNING objectives? **How** do managers and supervisors help employees attain job- and career-related development and LEARNING objectives?

Note:

Education and training delivery (5.2a[4]) might occur inside or outside your organization and involve on-the-job, classroom, computer-based, distance learning, and other types of delivery (formal or informal).

5.3 Employee Well-Being and Satisfaction (25 pts.)

Describe HOW your organization maintains a work environment and an employee support climate that contribute to the well-being, satisfaction, and motivation of all employees.

Within your response, include answers to the following questions:

a. Work Environment

   (1) **How** do you improve workplace health, safety, security, and ergonomics? **How** do employees take part in improving them? What are your PERFORMANCE MEASURES or targets for each of these KEY workplace factors? What are the significant differences in workplace factors and PERFORMANCE MEASURES or targets if different employee groups and work units have different work environments?

   (2) **How** do you ensure workplace preparedness for emergencies or disasters? **How** do you seek to ensure business continuity for the benefit of your employees and CUSTOMERS?

b. Employee Support and Satisfaction

   (1) **How** do you determine the KEY factors that affect employee well-being, satisfaction, and motivation? **How** are these factors SEGMENTED for a diverse workforce and for different categories and types of employees?

   (2) **How** do you support your employees via services, benefits, and policies? **How** are these tailored to the needs of a diverse workforce and different categories and types of employees?

   (3) What formal and informal assessment methods and MEASURES do you use to determine employee well-being, satisfaction, and motivation? **How** do these methods and MEASURES differ across a diverse workforce and different categories and types of employees? **How** do you use other INDICATORS, such as employee retention, absenteeism, grievances, safety, and PRODUCTIVITY, to assess and improve employee well-being, satisfaction, and motivation?

   (4) **How** do you relate assessment findings to KEY business RESULTS to identify priorities for improving the work environment and employee support climate?

Notes:

N1. Specific factors that might affect your employees' well-being, satisfaction, and motivation (5.3b[1]) include effective employee problem or grievance resolution; safety factors; employees' views of management; employee training, development, and career opportunities; employee preparation for changes in technology or the work organization; the work environment and other work conditions; management's empowerment of employees; information sharing by management; workload; cooperation and teamwork; recognition; services and benefits; communications; job security; compensation; and equal opportunity.

N2. Approaches for employee support (5.3b[2]) might include providing counseling, career development and employability services, recreational or cultural activities, nonwork-related education, day care, job rotation or sharing, special leave for family responsibilities or community service, home safety training, flexible

work hours and location, outplacement, and retirement benefits (including extended health care).

N3. Measures and indicators of well-being, satisfaction, and motivation (5.3b[3]) might include data on safety and absenteeism, the overall turnover rate, the turnover rate for customer contact employees, employees' charitable contributions, grievances, strikes, other job actions, insurance costs, workers' compensation claims, and results of surveys. Survey indicators of satisfaction might include employee knowledge of job roles, employee knowledge of organizational direction, and employee perception of empowerment and information sharing. Your results relative to such measures and indicators should be reported in Item 7.4.

N4. Setting priorities (5.3b[4]) might draw upon your human resource results presented in Item 7.4 and might involve addressing employee problems based on their impact on your business results.

6 Process Management (85 pts.)

The *PROCESS MANAGEMENT* Category examines the KEY aspects of your organization's PROCESS management, including KEY product, service, and business PROCESSES for creating CUSTOMER and organizational VALUE and KEY support PROCESSES. This Category encompasses all KEY PROCESSES and all work units.

6.1 Value Creation Processes (50 pts.) Process

Describe HOW your organization identifies and manages its KEY PROCESSES for creating CUSTOMER VALUE and achieving business success and growth.

Within your response, include answers to the following questions:

a. VALUE CREATION PROCESSES

(1) **How** does your organization determine its KEY VALUE CREATION PROCESSES? What are your organization's KEY product, service, and business PROCESSES for creating or adding VALUE? **How** do these PROCESSES create VALUE for the organization, your CUSTOMERS, and your other KEY STAKEHOLDERS? **How** do they contribute to profitability and business success?

(2) **How** do you determine KEY VALUE CREATION PROCESS requirements, incorporating input from CUSTOMERS, suppliers, and partners, as appropriate? What are the KEY requirements for these PROCESSES?

(3) **How** do you design these PROCESSES to meet all the KEY requirements? **How** do you incorporate new technology and organizational knowledge into the design of these PROCESSES? **How** do you incorporate CYCLE TIME, PRODUCTIVITY, cost control, and other efficiency and effectiveness factors into the design of these PROCESSES? **How** do you implement these PROCESSES to ensure they meet design requirements?

(4) What are your KEY PERFORMANCE MEASURES or INDICATORS used for the control and improvement of your VALUE CREATION PROCESSES? **How** does your day-to-day operation of these PROCESSES ensure meeting KEY PROCESS requirements? **How** are in-process MEASURES used in managing these PROCESSES? **How** is CUSTOMER, supplier, and partner input used in managing these PROCESSES, as appropriate?

(5) **How** do you minimize overall costs associated with inspections, tests, and PROCESS or PERFORMANCE audits, as appropriate? **How** do you prevent defects and rework, and minimize warranty costs, as appropriate?

(6) **How** do you improve your VALUE CREATION PROCESSES to achieve better PERFORMANCE, to reduce variability, to improve products and services, and to keep the PROCESSES current with business needs and directions? **How** are improvements shared with other organizational units and PROCESSES?

Notes:

N1. Your key value creation processes are those most important to "running your business" and maintaining or achieving a sustainable competitive advantage. They are the processes that involve the majority of your organization's employees and produce customer, stockholder, and other key stakeholder value. They include the processes through which your organization adds greatest value to its products and services. They also include the business processes most critical to adding value to the business itself, resulting in success and growth.

N2. Key value creation processes differ greatly among organizations, depending on many factors. These factors include the nature of your products and services, how they are produced and delivered, technology requirements, customer and supplier relationships and involvement, outsourcing, impor-

tance of research and development, role of technology acquisition, information and knowledge management, supply chain management, mergers and acquisitions, global expansion, and sales and marketing. Responses to Item 6.1 should be based upon the most critical requirements and processes for your products, services, and business.

N3. To achieve better process performance and reduce variability, you might implement approaches such as a Lean Enterprise System, Six Sigma methodology, use of ISO 9000:2000 standards, or other process improvement tools.

N4. To provide as complete and concise a response as possible for your key value creation processes, you might want to use a tabular format identifying the key processes and the attributes of each as called for in questions 6.1a(1)–6.1a(6).

6.2 Support Processes (35 pts.)   `Process`

Describe HOW your organization manages its KEY PROCESSES that support your VALUE CREATION PROCESSES.

Within your response, include answers to the following questions:

a. Support PROCESSES

(1) **How** does your organization determine its KEY support PROCESSES? What are your KEY PROCESSES for supporting your VALUE CREATION PROCESSES?

(2) **How** do you determine KEY support PROCESS requirements, incorporating input from internal and external CUSTOMERS, and suppliers and partners, as appropriate? What are the KEY requirements for these PROCESSES?

(3) **How** do you design these PROCESSES to meet all the KEY requirements? **How** do you incorporate new technology and organizational knowledge into the design of these PROCESSES? **How** do you incorporate CYCLE TIME, PRODUCTIVITY, cost control, and other efficiency and effectiveness factors into the design of the PROCESSES? **How** do you implement these PROCESSES to ensure they meet design requirements?

(4) What are your KEY PERFORMANCE MEASURES or INDICATORS used for the control and improvement of your support PROCESSES? **How** does your day-to-day operation of KEY support PROCESSES ensure meeting KEY PERFORMANCE requirements? **How** are in-process MEASURES used in managing these PROCESSES? **How** is CUSTOMER, supplier, and partner input used in managing these PROCESSES, as appropriate?

(5) **How** do you minimize overall costs associated with inspections, tests, and PROCESS or PERFORMANCE audits, as appropriate? **How** do you prevent defects and rework?

(6) **How** do you improve your support PROCESSES to achieve better PERFORMANCE, to reduce variability, and to keep the PROCESSES current with business needs and directions? **How** are improvements shared with other organizational units and PROCESSES?

Notes:

N1. Your key support processes are those that are considered most important for support of your organization's value creation processes, employees, and daily operations. These might include finance and accounting, facilities management, legal, human resource, project management, and administration processes.

N2. The results of improvements in your key support processes and key support process performance results should be reported in Item 7.5.

7 Business Results (450 pts.)

The *Business RESULTS* Category examines your organization's PERFORMANCE and improvement in KEY business areas—CUSTOMER satisfaction, product and service PERFORMANCE, financial and marketplace PERFORMANCE, human resource RESULTS, operational PERFORMANCE, and GOVERNANCE and social responsibility. Also examined are PERFORMANCE LEVELS relative to those of competitors.

7.1 Customer-Focused Results (75 pts.)   `Results`

Summarize your organization's KEY customer-focused RESULTS, including CUSTOMER satisfaction and customer-perceived VALUE. SEGMENT your RESULTS by CUSTOMER groups and market SEGMENTS, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

a. Customer-Focused RESULTS
   (1) What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of CUSTOMER satisfaction and dissatisfaction? HOW do these compare with competitors' LEVELS of CUSTOMER satisfaction?

   (2) What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of customer-perceived VALUE, including CUSTOMER loyalty and retention, positive referral, and other aspects of building relationships with CUSTOMERS, as appropriate?

Notes:

N1. Customer satisfaction and dissatisfaction results reported in this Item should relate to determination methods and data described in Item 3.2.

N2. Measures and indicators of customers' satisfaction with your products and services relative to customers' satisfaction with competitors might include objective information and data from your customers and from independent organizations.

For additional description of this Item, see pages 52–53.

7.2 Product and Service Results (75 pts.)   `Results`

Summarize your organization's KEY product and service PERFORMANCE RESULTS. SEGMENT your RESULTS by product groups, CUSTOMER groups, and market SEGMENTS, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following question:

a. Product and Service RESULTS
   What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of product and service PERFORMANCE that are important to your CUSTOMERS? HOW do these RESULTS compare with your competitors' PERFORMANCE?

Note:

Product and service results reported in this Item should relate to the key product and service features identified as customer requirements or expectations in P.1b(2) based on information gathered in Items 3.1 and 3.2. The measures or indicators should address factors that affect customer preference, such as those included in P.1, Note 3 and Item 3.1, Note 3.

For additional description of this Item, see page 53.

7.3 Financial and Market Results (75 pts.)

Summarize your organization's KEY financial and marketplace PERFORMANCE RESULTS by market SEGMENTS, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

a. Financial and Market RESULTS

  (1) What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of financial PERFORMANCE, including aggregate MEASURES of financial return and economic VALUE, as appropriate?

  (2) What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of marketplace PERFORMANCE, including market share or position, business growth, and new markets entered, as appropriate?

Note:

Responses to 7.3a(1) might include aggregate measures such as return on investment (ROI), asset utilization, operating margins, profitability, profitability by market or customer segment, liquidity, debt to equity ratio, value added per employee, and financial activity measures.

For additional description of this Item, see page 53.

7.4 Human Resource Results (75 pts.)

Summarize your organization's KEY human resource RESULTS, including WORK SYSTEM PERFORMANCE and employee LEARNING, development, well-being, and satisfaction. SEGMENT your RESULTS to address the diversity of your workforce and the different types and categories of employees, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

a. Human Resource RESULTS

  (1) What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of WORK SYSTEM PERFORMANCE and effectiveness?

  (2) What are your current LEVELS and TRENDS in KEY MEASURES of employee LEARNING and development?

  (3) What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of employee well-being, satisfaction, and dissatisfaction?

Notes:

N1. Results reported in this Item should relate to activities described in Category 5. Your results should be responsive to key process needs described in Category 6 and to your organization's action plans and human resource plans described in Item 2.2.

N2. Appropriate measures and indicators of work system performance and effectiveness (7.4a[1]) might include job and job classification simplification, job rotation, work layout improvement, employee retention and internal promotion rates, and changing supervisory ratios.

N3. Appropriate measures and indicators of employee learning and development (7.4a[2]) might include innovation and suggestion rates, courses completed, learning, on-the-job performance improvements, and cross-training rates.

N4. For appropriate measures of employee well-being and satisfaction (7.4a[3]), see Item 5.3 Notes.

For additional description of this Item, see pages 53–54.

7.5 Organizational Effectiveness Results (75 pts.)

Summarize your organization's KEY operational PERFORMANCE RESULTS that contribute to the achievement of organizational effectiveness. SEGMENT your RESULTS by product groups and market SEGMENTS, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

a. Organizational Effectiveness RESULTS

   (1) What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of the operational PERFORMANCE of your KEY VALUE CREATION PROCESSES? Include PRODUCTIVITY, CYCLE TIME, supplier and partner PERFORMANCE, and other appropriate MEASURES of effectiveness and efficiency.

   (2) What are your current LEVELS and TRENDS in KEY MEASURES or INDICATORS of the operational PERFORMANCE of your KEY support PROCESSES? Include PRODUCTIVITY, CYCLE TIME, supplier and partner PERFORMANCE, and other appropriate MEASURES of effectiveness and efficiency.

   (3) What are your RESULTS for KEY MEASURES or INDICATORS of accomplishment of organizational strategy and ACTION PLANS?

Notes:

N1. Results reported in Item 7.5 should address your key operational requirements and progress toward accomplishment of your key organizational performance goals as presented in the Organizational Profile and in Items 1.1, 2.2, 6.1, and 6.2. Include results not reported in Items 7.1–7.4.

For additional description of this Item, see page 54.

N2. Results reported in Item 7.5 should provide key information for analysis (Item 4.1) and review of your organizational performance (Item 1.1) and should provide the operational basis for customer-focused results (Item 7.1), product and service results (Item 7.2), and financial and market results (Item 7.3).

7.6 Governance and Social Responsibility Results (75 pts.)

Summarize your organization's KEY GOVERNANCE and social responsibility RESULTS, including evidence of fiscal accountability, ETHICAL BEHAVIOR, legal compliance, and organizational citizenship. SEGMENT your RESULTS by business units, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

a. GOVERNANCE and Social Responsibility RESULTS

   (1) What are your KEY current findings and TRENDS in KEY MEASURES or INDICATORS of fiscal accountability, both internal and external, as appropriate?

   (2) What are your RESULTS for KEY MEASURES or INDICATORS of ETHICAL BEHAVIOR and of STAKEHOLDER trust in the GOVERNANCE of your organization?

   (3) What are your RESULTS for KEY MEASURES or INDICATORS of regulatory and legal compliance?

   (4) What are your RESULTS for KEY MEASURES or INDICATORS of organizational citizenship in support of your KEY communities?

Notes:

N1. Responses to 7.6a(1) might include financial statement issues and risks, important internal and external auditor recommendations, and management's response to these matters.

N2. For examples of measures of ethical behavior and stakeholder trust (7.6a[2]), see Note 2 to Item 1.2.

N3. Regulatory and legal compliance results (7.6a[3]) should address requirements described in 1.2a. Organizational citizenship results (7.6a[4]) should address support for the key communities discussed in 1.2c.

GLOSSARY OF KEY TERMS

This Glossary of Key Terms defines and briefly describes terms used throughout the Criteria booklet that are important to performance management. As you may have noted, key terms are presented in SMALL CAPS/SANS SERIF every time they appear in the Categories and Scoring Guidelines sections of this Criteria booklet.

Action Plans

The term "action plans" refers to specific actions that respond to short- and longer-term strategic objectives. Action plans include details of resource commitments and time horizons for accomplishment. Action plan development represents the critical stage in planning when strategic objectives and goals are made specific so that effective, organization-wide understanding and deployment are possible. In the Criteria, deployment of action plans includes creating aligned measures for work units. Deployment might also require specialized training for some employees or recruitment of personnel.

An example of a strategic objective for a supplier in a highly competitive industry might be to develop and maintain a price leadership position. Action plans could entail designing efficient processes and creating an accounting system that tracks activity-level costs, aligned for the organization as a whole. Deployment requirements might include unit and/or team training in setting priorities based upon costs and benefits. Organizational-level analysis and review likely would emphasize productivity growth, cost control, and quality.

See also the definition of "strategic objectives" on page 35.

Alignment

The term "alignment" refers to consistency of plans, processes, information, resource decisions, actions, results, and analysis to support key organization-wide goals. Effective alignment requires a common understanding of purposes and goals. It also requires the use of complementary measures and information for planning, tracking, analysis, and improvement at three levels: the organizational level, the key process level, and the work unit level.

See also the definition of "integration" on page 32.

Analysis

The term "analysis" refers to an examination of facts and data to provide a basis for effective decisions. Analysis often involves the determination of cause-effect relationships. Overall organizational analysis guides process management toward achieving key business results and toward attaining strategic objectives.

Despite their importance, individual facts and data do not usually provide an effective basis for actions or setting priorities. Effective actions depend on an understanding of relationships, derived from analysis of facts and data.

Anecdotal

The term "anecdotal" refers to process information that lacks specific methods, measures, deployment mechanisms, and evaluation/improvement/learning factors. Anecdotal information frequently uses examples and describes individual activities rather than systematic processes.

An anecdotal response to how senior leaders deploy performance expectations might describe a specific occasion when a senior leader visited all company facilities. On the other hand, a systematic process might describe the communication methods used by all senior leaders to deliver performance expectations on a regular basis to all employee locations, the measures used to assess effectiveness of the methods, and the tools and techniques used to evaluate and improve the communication methods.

Approach

The term "approach" refers to the methods used by an organization to address the Baldrige Criteria Item requirements. Approach includes the appropriateness of the methods to the Item requirements and the effectiveness of their use. For further description, see the Scoring System on pages 55–58.

Basic Requirements

The term "basic requirements" refers to the topic Criteria users need to address when responding to the most central concept of an Item. Basic requirements are the fundamental theme of that Item. In the Criteria, the basic requirements of each Item are presented as the Item title. This presentation is illustrated in the Item format shown on page 59.

Benchmarks

The term "benchmarks" refers to processes and results that represent best practices and performance for similar activities, inside or outside an organization's industry. Organizations engage in benchmarking as an approach to understand the current dimensions of world-class performance and to achieve discontinuous (nonincremental) or breakthrough improvement.

Benchmarks are one form of comparative data. Other comparative data organizations might use include industry data collected by a third party (frequently industry averages), data on competitors' performance, and comparisons with similar organizations in the same geographic area.

Customer

The term "customer" refers to actual and potential users of your organization's products or services. Customers include the end users of your products or services, as well as others who might be the immediate purchasers of your products or services, such as wholesale distributors, agents, or companies that further process your product as a component of their product. The Criteria address customers broadly, referencing current customers, future customers, as well as customers of your competitors.

Customer-driven excellence is a Baldrige core value embedded in the beliefs and behaviors of high-performance organizations. Customer focus impacts and integrates an organization's strategic directions, its value creation processes, and its business results.

See the definition of "stakeholders" on page 35 for the relationship between customers and others who might be affected by your products or services.

Cycle Time

The term "cycle time" refers to the time required to fulfill commitments or to complete tasks. Time measurements play a major role in the Criteria because of the great importance of time performance to improving competitiveness. "Cycle time" refers to all aspects of time performance. Cycle time improvement might include time to market, order fulfillment time, delivery time, changeover time, customer response time, and other key measures of time.

Deployment

The term "deployment" refers to the *extent* to which an approach is applied in addressing the requirements of a Baldrige Criteria Item. Deployment is evaluated on the basis of the breadth and depth of application of the approach to relevant work units throughout the organization. For further description, see the Scoring System on pages 55–58.

Effective

The term "effective" refers to how well a process or a measure addresses its intended purpose. Determining effectiveness requires the evaluation of how well a need is met by the approach taken and its deployment or by the measure used.

Empowerment

The term "empowerment" refers to giving employees the authority and responsibility to make decisions and take actions. Empowerment results in decisions being made closest to the "front line," where work-related knowledge and understanding reside.

Empowerment is aimed at enabling employees to satisfy customers on first contact, to improve processes and increase productivity, and to improve the organization's business results. Empowered employees require information to make appropriate decisions; thus, an organizational requirement is to provide that information in a timely and useful way.

Ethical Behavior

The term "ethical behavior" refers to how an organization ensures that all its decisions, actions, and stakeholder interactions conform to the organization's moral and professional principles. These principles are the foundation for the organization's culture and values and define "right" from "wrong."

Senior leaders should act as role models for these principles of behavior. The principles apply to all individuals involved in the organization, from employees to members of the board of directors, and need to be communicated and reinforced on a regular basis. Although there is no universal model for ethical behavior, senior leaders should ensure that the organization's mission and vision are aligned with its ethical principles. Ethical behavior should be practiced with all stakeholders, including employees, shareholders, customers, partners, suppliers, and the organization's local community.

While some organizations may view their ethical principles as boundary conditions restricting behavior, well-designed and clearly articulated ethical principles should empower people to make effective decisions with great confidence.

Goals

The term "goals" refers to a future condition or performance level that one intends to attain. Goals can be both short-term and longer-term. Goals are ends that guide actions. Quantitative goals, frequently referred to as "targets," include a numerical point or range. Targets might be projections based on comparative data and/or competitive data. The term "stretch goals" refers to desired major, discontinuous (nonincremental) or breakthrough improvements, usually in areas most critical to your organization's future success.

Goals can serve many purposes, including

- clarifying strategic objectives and action plans to indicate how success will be measured
- fostering teamwork by focusing on a common end
- encouraging "out-of-the-box" thinking to achieve a stretch goal
- providing a basis for measuring and accelerating progress

Governance

The term "governance" refers to the system of management and controls exercised in the stewardship of your organization. It includes the responsibilities of your organization's owners/shareholders, board of directors, and CEO. Corporate charters, by-laws, and policies document the rights and responsibilities of each of the parties and describe how your organization will be directed and controlled to ensure (1) accountability to owners/shareholders and other stakeholders, (2) transparency of operations, and (3) fair treatment of all stakeholders. Governance processes may include approving strategic direction, monitoring and evaluating CEO performance, succession planning, financial auditing, establishing executive compensation and benefits, managing risk, disclosure, and shareholder reporting. Ensuring effective governance is important to stakeholders' and the larger society's trust and to organizational effectiveness.

High-Performance Work

The term "high-performance work" refers to work processes used to systematically pursue ever-higher levels of overall organizational and individual performance, including quality, productivity, innovation rate, and cycle time performance. High-performance work results in improved service for customers and other stakeholders.

Approaches to high-performance work vary in form, function, and incentive systems. High-performance work frequently includes cooperation between management and the workforce, which may involve workforce bargaining units; cooperation among work units, often involving teams; self-directed responsibility/employee empowerment; employee input to planning; individual and organizational skill building and learning; learning from other organizations; flexibility in job design and work assignments; a flattened organizational structure, where decision making is decentralized and decisions are made closest to the "front line"; and effective use of performance measures, including comparisons. Many high-performance work systems use monetary and nonmonetary incentives based upon factors such as organizational performance, team and/or individual contributions, and skill building. Also, high-performance work processes usually seek to align the organization's structure, work, jobs, employee development, and incentives.

How

The term "how" refers to the processes that an organization uses to accomplish its mission requirements. In responding to "how" questions in the Process Item requirements, process descriptions should include information such as approach (methods and measures), deployment, learning, and integration factors.

Innovation

The term "innovation" refers to making meaningful change to improve products, services, and/or processes and to create new value for stakeholders. Innovation involves the adoption of an idea, process, technology, or product that is either new or new to its proposed application.

Successful organizational innovation is a multistep process that involves development and knowledge sharing, a decision to implement, implementation, evaluation, and learning. Although innovation is often associated with technological innovation, it is applicable to all key organizational processes that would benefit from change, whether through breakthrough improvement or change in approach or outputs.

Integration

The term "integration" refers to the harmonization of plans, processes, information, resource decisions, actions, results, and analysis to support key organization-wide goals. Effective integration goes beyond alignment and is achieved when the individual components of a performance management system operate as a fully interconnected unit.

See also the definition of "alignment" on page 30.

Key

The term "key" refers to the major or most important elements or factors, those that are critical to achieving your intended outcome. The Baldrige Criteria, for example, refer to key challenges, key plans, key processes, key measures—those that are most important to the organization's success. They are the essential elements for pursuing or monitoring a desired outcome.

Knowledge Assets

The term "knowledge assets" refers to the accumulated intellectual resources of your organization. It is the knowledge possessed by your organization and its employees in the form of information, ideas, learning, understanding, memory, insights, cognitive and technical skills, and capabilities. Employees, software, patents, databases, documents, guides, policies and procedures, and technical drawings are repositories of an organization's knowledge assets. Knowledge assets are held not only by an organization but reside within its customers, suppliers, and partners as well.

Knowledge assets are the "know how" that your organization has available to use, to invest, and to grow. Building and managing its knowledge assets are key components for your organization to create value for its stakeholders and to help sustain competitive advantage.

Leadership System

The term "leadership system" refers to how leadership is exercised, formally and informally, throughout the organization—the basis for and the way key decisions are made, communicated, and carried out. It includes structures and mechanisms for decision making; selection and development of leaders and managers; and reinforcement of values, directions, and performance expectations.

An effective leadership system respects the capabilities and requirements of employees and other stakeholders, and it sets high expectations for performance and performance improvement. It builds loyalties and teamwork based on the organization's values and the pursuit of shared goals. It encourages and supports initiative and appropriate risk taking, subordinates organization structure to purpose and function, and avoids chains of command that require long decision paths. An effective leadership system includes mechanisms for the leaders to conduct self-examination, receive feedback, and improve.

Learning

The term "learning" refers to new knowledge or skills acquired through evaluation, study, experience, and innovation. The Baldrige Criteria include two distinct kinds of learning: organizational and personal. Organizational learning is achieved through research and development, evaluation and improvement cycles, employee and customer ideas and input, best practice sharing, and benchmarking. Personal learning is achieved through education, training, and developmental opportunities that further individual growth.

To be effective, learning should be embedded in the way an organization operates. Learning contributes to a competitive advantage for the organization and its employees. For further description of organizational and personal learning, see the related Core Value and Concept on page 2.

Levels

The term "levels" refers to numerical information that places or positions an organization's results and performance on a meaningful measurement scale. Performance levels permit evaluation relative to past performance, projections, goals, and appropriate comparisons.

Measures and Indicators

The term "measures and indicators" refers to numerical information that quantifies input, output, and performance dimensions of processes, products, services, and the overall organization (outcomes). Measures and indicators might be simple (derived from one measurement) or composite.

The Criteria do not make a distinction between measures and indicators. However, some users of these terms prefer the term indicator (1) when the measurement relates to performance but is not a direct measure of such performance (e.g., the number of complaints is an indicator of dissatisfaction but not a direct measure of it) and (2) when the measurement is a predictor ("leading indicator") of some more significant performance (e.g., increased customer satisfaction might be a leading indicator of market share gain).

Mission

The term "mission" refers to the overall function of an organization. The mission answers the question, "What is this organization attempting to accomplish?" The mission might define customers or markets served, distinctive competencies, or technologies used.

Multiple Requirements

The term "multiple requirements" refers to the individual questions Criteria users need to answer within each Area to Address. These questions constitute the details of an Item's requirements. They are presented in black text under each Item's Area(s) to Address. This presentation is illustrated in the Item format shown on page 59.

Overall Requirements

The term "overall requirements" refers to the topics Criteria users need to address when responding to the central theme of an Item. Overall requirements address the most significant features of the Item requirements. In the Criteria, the overall requirements of each Item are presented in one or more introductory sentences printed in bold. This presentation is illustrated in the Item format shown on page 59.

Performance

The term "performance" refers to output results and their outcomes obtained from processes, products, and services that permit evaluation and comparison relative to goals, standards, past results, and other organizations. Performance might be expressed in nonfinancial and financial terms.

The Baldrige Criteria address four types of performance: (1) customer-focused, (2) product and service, (3) financial and marketplace, and (4) operational.

"Customer-focused performance" refers to performance relative to measures and indicators of customers' perceptions, reactions, and behaviors. Examples include customer retention, complaints, and customer survey results.

"Product and service performance" refers to performance relative to measures and indicators of product and service characteristics important to customers. Examples include product reliability, on-time delivery, customer-experienced defect levels, and service response time.

"Financial and marketplace performance" refers to performance relative to measures of cost, revenue, and market position, including asset utilization, asset growth, and market share. Examples include returns on investments, value added per employee, debt to equity ratio, returns on assets, operating margins, cash-to-cash cycle time, other profitability and liquidity measures, and market gains.

"Operational performance" refers to human resource, organizational, and ethical performance relative to effectiveness, efficiency, and accountability measures and indicators. Examples include cycle time, productivity, waste reduction, employee turnover, employee cross-training rates, regulatory compliance, fiscal accountability, and community involvement. Operational performance might be measured at the work unit level, key process level, and organizational level.

Performance Excellence

The term "performance excellence" refers to an integrated approach to organizational performance management that results in (1) delivery of ever-improving value to customers, contributing to marketplace success; (2) improvement of overall organizational effectiveness and capabilities; and (3) organizational and personal learning. The Baldrige Criteria for Performance Excellence provide a framework and an assessment tool for understanding organizational strengths and opportunities for improvement and thus for guiding planning efforts.

Performance Projections

The term "performance projections" refers to estimates of future performance. Projections may be inferred from past performance, may be based on competitors' performance that must be met or exceeded, may be predicted based on changes in a dynamic marketplace, or may be goals for future performance. Projections integrate estimates of your organization's rate of improvement and change, and they may be used to indicate where breakthrough improvement or change is needed. Thus, performance projections serve as a key management planning tool.

Process

The term "process" refers to linked activities with the purpose of producing a product or service for a customer (user) within or outside the organization. Generally, processes involve combinations of people, machines, tools, techniques, and materials in a defined series of steps or actions. In some situations, processes might require adherence to a specific sequence of steps, with documentation (sometimes formal) of procedures and requirements, including well-defined measurement and control steps.

In many service situations, particularly when customers are directly involved in the service, process is used in a more general way, i.e., to spell out what must be done, possibly including a preferred or expected sequence. If a sequence is critical, the service needs to include information to help customers understand and follow the sequence. Service processes involving customers also require guidance to the providers of those services on handling contingencies related to customers' likely or possible actions or behaviors.

In knowledge work such as strategic planning, research, development, and analysis, process does not necessarily imply formal sequences of steps. Rather, process implies general understandings regarding competent performance such as timing, options to be included, evaluation, and reporting. Sequences might arise as part of these understandings.

In the Baldrige Scoring System, process achievement level is assessed. This achievement level is based on four factors that can be evaluated for each of an organization's key processes: Approach, Deployment, Learning, and Integration. For further description, see the Scoring System on pages 55–58.

Productivity

The term "productivity" refers to measures of the efficiency of resource use.

Although the term often is applied to single factors such as staffing (labor productivity), machines, materials, energy, and capital, the productivity concept applies as well to the total resources used in producing outputs. The use of an aggregate measure of overall productivity allows a determination of whether the net effect of overall changes in a process—possibly involving resource tradeoffs—is beneficial.

Purpose

The term "purpose" refers to the fundamental reason that an organization exists. The primary role of purpose is to inspire an organization and guide its setting of values. Purpose is generally broad and enduring. Two organizations in different businesses could have similar purposes, and two organizations in the same business could have different purposes.

Results

The term "results" refers to outputs and outcomes achieved by an organization in addressing the requirements of a Baldrige Criteria Item. Results are evaluated on the basis of current performance; performance relative to appropriate comparisons; the rate, breadth, and importance of performance improvements; and the relationship of results measures to key organizational performance requirements. For further description, see the Scoring System on pages 55–58.

Segment

The term "segment" refers to a part of an organization's overall customer, market, product line or employee base.

Segments typically have common characteristics that can be logically grouped. In Results Items, the term refers to disaggregating results data in a way that allows for meaningful analysis of an organization's performance. It is up to each organization to determine the specific factors that it uses to segment its customers, markets, products, and employees.

Understanding segments is critical to identifying the distinct needs and expectations of different customer, market, and employee groups and to tailoring products, services, and programs to meet their needs and expectations. As an example, market segmentation might be based on geography, distribution channels, business volume, or technologies employed. Employee segmentation might be based on geography, skills, needs, work assignments, or job classification.

Senior Leaders

The term "senior leaders" refers to an organization's senior management group or team. In many organizations, this consists of the head of the organization and his or her direct reports.

Stakeholders

The term "stakeholders" refers to all groups that are or might be affected by an organization's actions and success. Examples of key stakeholders include customers, employees, partners, governing boards, stockholders, and local/professional communities.

See also the definition of "customer" on page 31.

Strategic Challenges

The term "strategic challenges" refers to those pressures that exert a decisive influence on an organization's likelihood of future success. These challenges frequently are driven by an organization's future competitive position relative to other providers of similar products or services. While not exclusively so, strategic challenges generally are externally driven. However, in responding to externally driven strategic challenges, an organization may face internal strategic challenges.

External strategic challenges may relate to customer or market needs or expectations; product, service, or technological changes; or financial, societal, and other risks. Internal strategic challenges may relate to an organization's capabilities or its human and other resources.

See the definition of "strategic objectives" that immediately follows for the relationship between strategic challenges and the strategic objectives an organization articulates to address key challenges.

Strategic Objectives

The term "strategic objectives" refers to an organization's articulated aims or responses to address major change or improvement, competitiveness issues, and/or business advantages. Strategic objectives generally are focused externally and relate to significant customer, market, product, service, or technological opportunities and challenges (strategic challenges). Broadly stated, they are what an organization must achieve to remain or become competitive. Strategic objectives set an organization's longer-term directions and guide resource allocations and redistributions.

See the definition of "action plans" on page 30 for the relationship between strategic objectives and action plans and for an example of each.

Systematic

The term "systematic" refers to approaches that are repeatable and use data and information so learning is possible. In other words, approaches are systematic if they build in the opportunity for evaluation, improvement, and sharing, thereby permitting a gain in maturity. For use of the term, see the Scoring Guidelines on pages 56–57.

Trends

The term "trends" refers to numerical information that shows the direction and rate of change for an organization's results. Trends provide a time sequence of organizational performance.

A minimum of three data points generally is needed to begin to ascertain a trend. The time period for a trend is determined by the cycle time of the process being measured. Shorter cycle times demand more frequent measurement, while longer cycle times might require longer periods before meaningful trends can be determined.

Examples of trends called for by the Criteria include data related to customer and employee satisfaction and dissatisfaction results, product and service performance, financial performance, marketplace performance, and operational performance, such as cycle time and productivity.

Value

The term "value" refers to the perceived worth of a product, service, process, asset, or function relative to cost and to possible alternatives.

Organizations frequently use value considerations to determine the benefits of various options relative to their costs, such as the value of various product and service combinations to customers. Organizations need to understand what different stakeholder groups value and then deliver value to each group. This frequently requires balancing value for customers and other stakeholders, such as stockholders, employees, and the community.

Value Creation

The term "value creation" refers to processes that produce benefit for your customers and for your business. They are the processes most important to "running your business"—those that involve the majority of your employees and generate your products, your services, and positive business results for your stockholders and other key stakeholders.

Values

The term "values" refers to the guiding principles and/or behaviors that embody how your organization and its people are expected to operate. Values reflect and reinforce the desired culture of the organization. Values support and guide the decision making of every employee, helping the organization to accomplish its mission and attain its vision in an appropriate manner.

Vision

The term "vision" refers to the desired future state of your organization. The vision describes where the organization is headed, what it intends to be, or how it wishes to be perceived in the future.

Work Systems

The term "work systems" refers to how your employees are organized into formal or informal units to accomplish your mission and your strategic objectives; how job responsibilities are managed; and your processes for compensation, employee performance management, recognition, communication, hiring, and succession planning. Organizations design work systems to align their components to enable and encourage all employees to contribute effectively and to the best of their ability.

Preface: Organizational Profile

The Organizational Profile provides an overview of your organization. The profile addresses your operating environment, your key organizational relationships, your competitive environment and strategic challenges, and your approach to performance improvement. Your Organizational Profile provides a context for understanding your organization and for guiding and prioritizing the information you present in response to the Criteria Items in Categories 1–7.

P.1 Organizational Description

Purpose

This Item addresses the key characteristics and relationships that shape your organizational environment. It also addresses your organization's governance system. The aim is to set the context for your organization and for your responses to the Criteria requirements in Categories 1–7.

Requirements

You are asked to describe your operating environment, including your main products and services; your organizational culture, mission, vision, and values; your employee profile; your organization's special health and safety requirements; your major technologies, equipment, and facilities; and the regulatory environment under which your organization operates.

You are asked to describe your organization's governance system. You also are asked to describe your key customer groups and market segments and their key requirements and expectations for your products and services. You are asked to describe the role that suppliers and distributors play in your business. Finally, you are asked to discuss your most important types of suppliers and distributors, your most important supply chain requirements, and the key partnering relationships that you have with your suppliers and customers.

Comments

- The Organizational Profile provides your organization with critical insight into the key internal and external factors that shape its operating environment. These factors, such as the mission, vision, values, competitive environment, and strategic challenges, impact the way that your organization is run and the decisions you make. As such, the Organizational Profile helps your business understand better the context in which it operates; the key requirements for current and future business success; and the needs, opportunities, and constraints placed upon your organization's performance management system.

- Use of such terms as "purpose," "vision," "mission," and "values" varies depending on the organization, and some organizations may not use one or more of these terms.

Nevertheless, you should have a clear understanding of the essence of your business, why it exists, and where your senior leaders want to take the business in the future. This clarity enables you to make strategic decisions affecting the future of your organization and implement these decisions.

- The regulatory environment in which you operate places requirements on your organization and impacts how you run your business. Understanding this environment is key to making effective operational and strategic decisions. Further, it allows you to identify whether you are merely complying with the minimum requirements of applicable laws and regulations or exceeding them. Exceeding minimum requirements is a hallmark of leading organizations.

- Leading organizations have well-defined governance systems with clear reporting relationships. It is important to clearly identify which functions are performed by senior leaders and, as applicable, by your board of directors and your parent organization. Board independence and accountability are frequently key considerations in governance structure.

- In supplier-dependent organizations, suppliers play critical roles in processes that are important to running the business and to maintaining or achieving a sustainable competitive advantage. Supply chain requirements might include on-time or just-in-time delivery, flexibility, variable staffing, design capability, and customized manufacturing or services.

P.2 Organizational Challenges

Purpose

This Item addresses the competitive environment in which your organization operates and the key strategic challenges that your organization faces. It also addresses how you approach performance improvement. The aim is to understand your key organizational challenges and your system for maintaining a sustainable advantage.

Requirements

You are asked to describe your competitive position in your industry and marketplace. Important contributors to your competitive position are the factors that determine your success relative to your competitors and key changes that might affect your marketplace and business. You are asked about your key, available sources of comparative and competitive data from within and outside your industry, as well as any limitations that might affect your ability to obtain these data.

You are asked what key business, operational, and human resource strategic challenges your organization faces.

You also are asked how you maintain an organizational focus on performance improvement and how you approach

the systematic evaluation and improvement of key processes. Finally, you are asked how you ensure organizational learning and how you share knowledge throughout your organization.

Comments

- Knowledge of an organization's strengths, vulnerabilities, and opportunities for both improvement and growth is essential to the success and sustainability of the business. With this knowledge, you can identify those products, service offerings, and performance attributes that are unique to your organization; those that set you apart from your competitors; and those that help you to sustain your competitive advantage.

- Understanding who your competitors are, how many you have, and their key characteristics is essential for determining what your competitive advantage is in your industry and marketplace. Leading organizations have an in-depth understanding of their current competitive environment, including the factors that affect day-to-day performance and factors that could impact future performance.

- Sources of comparative and competitive data might include industry journals and other publications, benchmarking activities, annual reports for publicly traded companies, conferences, local networks, and trade associations.

- Operating your business in today's highly competitive marketplace means you are facing many strategic challenges that can affect your ability to sustain performance and maintain your competitive advantage. These challenges might include your operational costs (e.g., material, labor, or geographic location); expanding or decreasing markets; mergers or acquisitions both by your organization and by your competitors; economic conditions, including fluctuating demand and economic downturns both local and global; the cyclical nature of your industry; the introduction of new or substitute products or services; rapid technological changes; or new competitors entering the market. In addition, your organization may face challenges related to the recruitment, hiring, and retention of qualified employees.

- One of the many issues facing organizations today is how to manage, use, and share your ever-increasing organizational knowledge. Leading organizations already benefit from the knowledge assets of their employees, customers, suppliers, and partners, who together drive organizational learning and improve performance. Some of the methods used to accomplish knowledge sharing are documentation, cross-training and related assignments, meetings to share lessons learned, and knowledge nets and other electronic means of information transfer.

Leadership (Category 1)

Leadership addresses how your senior leaders guide your organization in setting organizational values, directions, and performance expectations. Attention is given to how your senior leaders communicate with employees, review organizational performance, and create an environment that encourages high performance. The Category also includes your organization's governance system, its responsibilities to the public, and how your organization practices good citizenship.

1.1 Organizational Leadership

Purpose

This Item examines the key aspects of your organization's leadership and governance systems. It also examines how leadership and organizational performance are reviewed. It focuses on the actions of your senior leaders to create and sustain a high-performance organization.

Requirements

You are asked how your senior leaders set and deploy values, short- and longer-term directions, and performance expectations and balance the expectations of customers and

other stakeholders. This includes how leaders create an environment for empowerment, innovation, organizational agility, learning, and ethical behavior.

You are asked how your governance system ensures accountability, independence in audits, and protection of stakeholder interests.

You also are asked how your senior leaders review organizational performance, what key performance measures they regularly review, and how review findings are used to drive improvement and innovation, including improvement in the effectiveness of your leaders and board of directors.

Comments

- Leadership's central roles in setting values and directions, creating and balancing value for all stakeholders, and driving and reviewing performance are the focus of this Item. Success requires a strong orientation to the future and a commitment to both improvement and innovation. Increasingly, this requires creating an environment for empowerment and agility, as well as the means for rapid and effective application of knowledge.

- The organizational governance requirement is intended to address the need for a responsible, informed, and accountable governance body that can protect the interests of key stakeholders, such as stockholders. It should have independence in review and audit functions. It should also have a performance evaluation function that monitors organizational and CEO performance.

- The organizational review called for in this Item is intended to cover all areas of performance. This includes not only how well you currently are performing but also how well you are moving toward the future. It is anticipated that the review findings will provide a reliable means to guide both improvement and opportunities for innovation that are tied to your organization's key objectives, success factors, and measures. Therefore, an important component of your senior leaders' organizational review is the translation of the review findings into an action agenda sufficiently specific for deployment throughout your organization and to your suppliers, partners, and key customers.

1.2 Social Responsibility

Purpose

This Item examines how your organization fulfills its public responsibilities, ensures that you and your partners behave ethically, and encourages, supports, and practices good citizenship.

Requirements

You are asked how your organization addresses its current and future impacts on society in a proactive manner and how you accomplish ethical business practices in all stakeholder interactions. The impacts and practices are expected to cover all relevant and important areas—products,

services, and operations. You are asked for your key measures for monitoring regulatory and legal compliance and ethical behavior.

You also are asked how your organization, your senior leaders, and your employees identify, support, and strengthen your key communities as part of good citizenship practices.

Comments

- An integral part of performance management and improvement is proactively addressing (1) the need for ethical behavior, (2) legal and regulatory requirements, and (3) risk factors. Addressing these areas requires establishing appropriate measures or indicators that senior leaders track in their overall performance review. Your organization should be sensitive to issues of public concern, whether or not these issues are currently embodied in law. Role model organizations look for opportunities to exceed requirements and to excel in areas of legal and ethical behavior.

- Citizenship implies going beyond a compliance orientation. Good citizenship opportunities are available to organizations of all sizes. These opportunities include

encouraging and supporting your employees' community service.

- Examples of organizational community involvement include partnering with schools and school boards to improve education; partnering with health care providers to improve health in the local community by providing education and volunteer services to address public health issues; and partnering to influence trade, business, and professional associations to engage in beneficial, cooperative activities, such as sharing best practices to improve overall U.S. global competitiveness and the environment.

Strategic Planning (Category 2)

Strategic Planning addresses strategic and action planning, deployment of plans, and how accomplishments are measured and sustained. The Category stresses that customer-driven quality and operational performance are key strategic issues that need to be integral parts of your organization's overall planning.

Specifically,

- customer-driven quality is a strategic view of quality. The focus is on the drivers of customer satisfaction, customer retention, customer loyalty, new markets, and market share—key factors in competitiveness, profitability, and business success.

- operational performance improvement contributes to short- and longer-term productivity growth and cost/price competitiveness. Building operational capability—including speed, responsiveness, and flexibility—represents an investment in strengthening your competitive fitness.

The Criteria emphasize that improvement and learning need to be embedded in work processes. The special role of strategic planning is to align work processes with your organization's strategic directions, thereby ensuring that improvement and learning reinforce organizational priorities.

The Strategic Planning Category examines how your organization

- understands the key customer, market, and operational requirements and risks as input to setting strategic directions. This helps to ensure that ongoing process improvements and change are aligned with your organization's strategic directions.

- optimizes the use of resources, ensures the availability of trained employees, and bridges short- and longer-term requirements that may entail capital expenditures, technology development or acquisition, and supplier development.

- ensures that deployment will be effective—that there are mechanisms to communicate requirements and achieve alignment on three levels: (1) the organization

and the executive level, (2) the key process level, and (3) the work unit and the individual job level.

The requirements in the Strategic Planning Category encourage strategic thinking and acting—to develop a basis for a distinct competitive position in the marketplace. *These requirements do not imply formalized plans, planning systems, departments, or specific planning cycles.* They also do not imply that all your improvements could or should be planned in advance. An effective improvement system combines improvements of many types and degrees of involvement. This requires clear strategic guidance, particularly when improvement alternatives, including major change, compete for limited resources. In most cases, setting priorities depends heavily on a cost rationale. However, you also might have critical requirements, such as public responsibilities, that are not driven by cost considerations alone.

2.1 Strategy Development

Purpose

This Item examines how your organization sets strategic directions and develops your strategic objectives, guiding and strengthening your overall performance, competitiveness, and future success.

Requirements

You are asked to outline your organization's strategic planning process, including identifying key participants, key steps, and your planning time horizons. You are asked how you consider key factors that affect your organization's future. These factors cover external and internal influences

on your organization. You are asked to address each factor and outline how relevant data and information are gathered and analyzed.

You also are asked to summarize your key strategic objectives and your timetable for accomplishing them. Finally, you are asked how these objectives address the challenges outlined in your Organizational Profile.

Comments

- This Item calls for basic information on the planning process and for information on all the key influences, risks, challenges, and other requirements that might affect your organization's future opportunities and directions—taking as long term a view as possible. This approach is intended to provide a thorough and realistic context for the development of a customer- and market-focused strategy to guide ongoing decision making, resource allocation, and overall management.

- This Item is intended to cover all types of businesses, competitive situations, strategic issues, planning approaches, and plans. The requirements explicitly call for a future-oriented basis for action but do not imply formalized planning, planning departments, planning cycles, or a specified way of visualizing the future. Even if your organization is seeking to create an entirely new business situation, it is still necessary to set and to test the

objectives that define and guide critical actions and performance.

- This Item emphasizes competitive leadership, which usually depends on revenue growth and operational effectiveness. Competitive leadership requires a view of the future that includes not only the markets or segments in which your organization competes but also how it competes. *How it competes* presents many options and requires that you understand your organization's and your competitors' strengths and weaknesses. Although no specific time horizons are included, the thrust of this Item is sustained competitive leadership.

- An increasingly important part of strategic planning is projecting the future competitive environment. Such projections help to detect and reduce competitive threats, to shorten reaction time, and to identify opportunities. Depending on the size and type of business, maturity of markets, pace of change, and competitive parameters (such as price or innovation rate), organizations might use a variety of modeling, scenarios, or other techniques and judgments to anticipate the competitive environment.

2.2 Strategy Deployment

Purpose

This Item examines how your organization converts your strategic objectives into action plans to accomplish the objectives. It also examines how your organization assesses progress relative to these action plans. The aim is to ensure that your strategies are deployed for goal achievement.

Requirements

You are asked how you develop and deploy action plans that address your organization's key strategic objectives, including the allocation of needed resources and how you ensure that the key changes resulting from action plans can be sustained. You are asked to summarize your key short- and longer-term action plans. Particular attention is given to changes in products and services, customers and markets, and how you will operate. You also are asked about your key human resource plans that will enable accomplishment of your strategic objectives and action plans.

You are asked to give your key measures or indicators used in tracking progress relative to the action plans and how you use these measures to achieve organizational alignment and coverage of all key work units and stakeholders. Finally, you are asked to provide a projection of key performance measures or indicators. As part of this projection, you are asked how your projected performance

compares with competitors' projected performance, key benchmarks, goals, and past performance.

Comments

- This Item asks how your action plans are developed and deployed. Accomplishment of action plans requires resources and performance measures, as well as the alignment of work unit and supplier and partner plans. Of central importance is how you achieve alignment and consistency—for example, via key processes and key measurements. Also, alignment and consistency are intended to provide a basis for setting and communicating priorities for ongoing improvement activities—part of the daily work of all work units. In addition, performance measures are critical for tracking performance. Action plans include human resource plans that support your overall strategy.

- Key changes in your products and services or customers and markets might include Web-based or e-commerce initiatives, integrated within or separate from your current business.

- Examples of possible human resource plan elements are

  - a redesign of your work organization and jobs to increase employee empowerment and decision making

  - initiatives to promote greater labor-management cooperation, such as union partnerships

  - initiatives to foster knowledge sharing and organizational learning

  - modification of your compensation and recognition systems to recognize team, organizational, stock market, customer, or other performance attributes

- education and training initiatives, such as developmental programs for future leaders, partnerships with universities to help ensure the availability of future employees, and establishment of technology-based training capabilities.

- Projections and comparisons in this Item are intended to encourage your organization to improve its ability to understand and track dynamic, competitive performance factors. Through this tracking process, your organization should be better prepared to take into account its rate of improvement and change relative to competitors' and relative to its own targets or stretch goals. Such tracking serves as a key diagnostic management tool.

- In addition to improvement relative to past performance and competitors' projected performance, projected performance also might include changes resulting from new business ventures, entry into new markets, e-commerce initiatives, product or service innovations, or other strategic thrusts.

Customer and Market Focus (Category 3)

Customer and Market Focus addresses how your organization seeks to understand the voices of customers and of the marketplace with a focus on delighting customers, building loyalty, and meeting customers' expectations as well as their requirements. The Category stresses relationships as an important part of an overall listening, learning, and performance excellence strategy. Your customer satisfaction and dissatisfaction results provide vital information for understanding your customers and the marketplace. In many cases, such results and trends provide the most meaningful information, not only on your customers' views but also on their marketplace behaviors—repeat business and positive referrals.

3.1 Customer and Market Knowledge

Purpose

This Item examines your organization's key processes for gaining knowledge about your current and future customers and markets, with the aim of offering relevant products and services, understanding emerging customer requirements and expectations, and keeping pace with marketplace changes and changing ways of doing business.

Requirements

You are asked how you determine key customer groups and how you segment your markets. You are asked how you consider potential customers, including your competitors' customers. You are asked how you determine key customer requirements and expectations and their relative importance to customers' purchasing decisions and how you determine key product and service features. You also are asked how these determinations include relevant information from current and former customers.

Finally, you are asked how you keep your customer listening and learning methods current with your changing business needs and directions.

Comments

- In a rapidly changing competitive environment, many factors may affect customer preference and loyalty and your interface with customers in the marketplace. This makes it necessary to listen and learn on a continuous basis. To be effective, listening and learning need to be closely linked with your organization's overall business strategy.

- Knowledge of customer groups and market segments allows your organization to tailor listening and learning strategies and marketplace offerings, to support and tailor your marketing strategies, and to develop new business.

- A relationship strategy may be possible with some customers but not with others. Differing relationships may require distinctly different listening and learning strategies.

- Selection of listening and learning strategies depends on your organization's key business factors. Increasingly, companies interact with customers via multiple modes. Some frequently used modes include focus groups with key customers; close integration with key customers; interviews with lost customers about their purchase decisions; use of the customer complaint process to understand key product and service attributes; win/loss analysis relative to competitors; and survey or feedback information, including information collected on the Internet.

3.2 Customer Relationships and Satisfaction

Purpose

This Item examines your organization's processes for building customer relationships and determining customer satisfaction, with the aim of acquiring new customers, retaining existing customers, and developing new market opportunities.

Requirements

You are asked how you build relationships to acquire customers, to meet and exceed their expectations, to increase loyalty, and to develop repeat business and positive referrals.

You are asked how you determine key customer contact requirements and how these vary for different modes of access. As part of this response, you are asked to describe key access mechanisms for customers to seek information, conduct business, and make complaints. You are asked how customer contact requirements are deployed to all

people and processes involved in the customer response chain.

You are asked to describe your complaint management process. This description should include how you ensure prompt and effective problem resolution. The description also should cover how all complaints are aggregated and analyzed for use in improvement throughout your organization and by your partners, as appropriate.

You are asked how you keep your approaches to relationship building and customer access current with your changing business needs and directions.

You are asked how you determine customer satisfaction and dissatisfaction, including how you capture actionable information that reflects customers' future business and positive referral.

You are asked how you follow up with customers regarding products and services and recent transaction quality to receive prompt and actionable feedback.

You are asked how you obtain and use information on customer satisfaction relative to satisfaction with competitors and/or industry benchmarks so you can gauge your performance in the marketplace.

Finally, you are asked how you keep your methods for determining customer satisfaction current with your changing business needs and directions.

Comments

- This Item emphasizes how you obtain actionable information from customers. Information that is actionable can be

tied to key product, service, and business processes and be used to determine cost and revenue implications for setting improvement and change priorities.

- Complaint aggregation, analysis, and root cause determination should lead to effective elimination of the causes of complaints and to setting priorities for process, product, and service improvements. Successful outcomes require effective deployment of information throughout the organization.

- In determining customers' satisfaction, a key aspect is their comparative satisfaction with competitors and competing or alternative offerings. Such information might be derived from your own comparative studies or from independent studies. The factors that lead to customer preference are of critical importance in understanding factors that drive markets and potentially affect longer-term competitiveness.

- Changing business needs and directions might include new modes of customer access, such as the Internet. In such cases, key contact requirements might include on-line security for customers and access to personal assistance.

Measurement, Analysis, and Knowledge Management (Category 4)

The Measurement, Analysis, and Knowledge Management Category is the main point within the Criteria for all key information about effectively measuring and analyzing

performance and managing organizational knowledge to drive improvement and organizational competitiveness. In the simplest terms, Category 4 is the "brain center" for the alignment of your organization's operations and its strategic objectives. Central to such use of data and information are their quality and availability. Furthermore, since information, analysis, and knowledge management might themselves be primary sources of competitive advantage and productivity growth, the Category also includes such strategic considerations.

4.1 Measurement and Analysis of Organizational Performance

Purpose

This Item examines your organization's selection, management, and use of data and information for performance measurement and analysis in support of organizational planning and performance improvement. The Item serves as a central collection and analysis point in an integrated performance measurement and management system that relies on financial and nonfinancial data and information. The aim of measurement and analysis is to guide your organization's process management toward the achievement of key business results and strategic objectives and to anticipate and respond to rapid or unexpected organizational or external changes.

Requirements

You are asked how you gather and integrate data and information for monitoring daily operations and supporting organizational decision making and how you select and use measures for tracking those operations and overall organizational performance. You also are asked how you select and use comparative data and information to support operational and strategic decision making and innovation. These requirements address the major components of an effective performance measurement system.

You are asked what analyses you perform to support your senior leaders' assessment of overall organizational performance and your strategic planning. You are asked how the results

of organizational-level analysis are communicated to support decision making throughout your organization and are aligned with your business results, strategic objectives, and action plans.

Finally, you are asked how you keep your organization's performance measurement system current with changing business needs and directions and how you ensure your measurement system is sensitive to rapid and unexpected organizational and external changes.

Comments

- Alignment and integration are key concepts for successful implementation of your performance measurement system. They are viewed in terms of extent and effectiveness of use to meet your performance assessment needs. Alignment and integration include how measures are aligned throughout your organization, how they are integrated to yield organization-wide data and information, and how performance measurement requirements are deployed by your senior leaders to track work group and process-level performance on key measures targeted for organization-wide significance or improvement.

- The use of comparative data and information is important to all organizations. The major premises for use are (1) your organization needs to know where it stands relative to competitors and to best practices, (2) comparative information and information obtained from benchmarking often provide the impetus for significant ("breakthrough") improvement or change, and (3) comparing performance information frequently leads to a better understanding of your processes and their performance. Comparative information also may support business analysis and decisions relating to core competencies, alliances, and outsourcing.

- Your effective selection and use of comparative data and information require (1) determination of needs and priorities; (2) criteria for seeking appropriate sources for comparisons—from within and outside your organization's industry and markets; and (3) use of data and information to set stretch goals and to promote major, nonincremental ("breakthrough") improvements in areas most critical to your organization's competitive strategy.

- Individual facts and data do not usually provide an effective basis for setting organizational priorities. This Item emphasizes that close alignment is needed between your analysis and your organizational performance review and between your analysis and your organizational planning. This ensures that analysis is relevant to decision making and that decision making is based on relevant data and information.

- Action depends on understanding cause-effect connections among processes and between processes and results or outcomes. Process actions and their results may have many resource implications. Organizations have a critical

need to provide an effective analytical basis for decisions because resources for improvement are limited and cause-effect connections are often unclear.

- Analyses that your organization conducts to gain an understanding of performance and needed actions may vary widely depending on your type of organization, size, competitive environment, and other factors. Examples of possible analyses include

  - how product and service quality improvement correlates with key customer indicators such as customer satisfaction, customer retention, and market share

  - cost and revenue implications of customer-related problems and effective problem resolution

  - interpretation of market share changes in terms of customer gains and losses and changes in customer satisfaction

  - improvement trends in key operational performance indicators such as productivity, cycle time, waste reduction, new product introduction, and defect levels

  - relationships between employee and organizational learning and value added per employee

  - financial benefits derived from improvements in employee safety, absenteeism, and turnover

  - benefits and costs associated with education and training, including Internet-based or e-learning opportunities

- benefits and costs associated with improved organizational knowledge management and sharing
- the value added for the customer and the organization by better knowledge and information management
- the relationship between knowledge management and innovation
- how the ability to identify and meet employee requirements correlates with employee retention, motivation, and productivity
- cost and revenue implications of employee-related problems and effective problem resolution
- individual or aggregate measures of productivity and quality relative to competitors' performance
- cost trends relative to competitors' trends
- relationships among product and service quality, operational performance indicators, and overall financial performance trends as reflected in indicators such as operating costs, revenues, asset utilization, and value added per employee
- allocation of resources among alternative improvement projects based on cost/benefit implications or environmental and community impact
- net earnings derived from quality, operational, and human resource performance improvements
- comparisons among business units showing how quality and operational performance improvement affect financial performance
- contributions of improvement activities to cash flow, working capital use, and shareholder value
- profit impacts of customer retention
- cost and revenue implications of new market entry, including global market entry or expansion
- cost and revenue, customer, and productivity implications of engaging in or expanding e-commerce or e-business and use of the Internet and intranets
- market share versus profits
- trends in economic, market, and shareholder indicators of value

- The availability of electronic data and information of many kinds (e.g., financial, operational, customer-related, accreditation, or regulatory) and from many sources (e.g., internal, third party, and public sources; the Internet; Internet tracking software) permits extensive analysis and correlations. Effectively utilizing and prioritizing this wealth of information are significant organizational challenges.

4.2 Information and Knowledge Management

Purpose

This Item examines how your organization ensures the availability of high-quality, timely data and information for all your key users—employees, suppliers and partners, and customers. It also examines how your organization builds and manages its knowledge assets. The aim is to improve organizational efficiency, effectiveness, and innovation.

Requirements

You are asked how you make data and information available and accessible to your user communities. You are asked how you ensure that data, information, and organizational knowledge have all the characteristics your users expect: integrity, reliability, accuracy, timeliness, and appropriate levels of security and confidentiality.

You also are asked how you ensure that your hardware systems and software are reliable, secure, and user friendly so that access is facilitated and encouraged.

You are asked how you keep your data availability mechanisms, software, and hardware current with changing business needs and directions.

Finally, you are asked how you capture, protect, and disseminate organizational knowledge.

Comments

- Managing information can require a significant commitment of resources as the sources of data and information grow dramatically. The expanding use of electronic information within organizations' operations, as part of organizational knowledge networks, from the Internet, and in business-to-business and business-to-consumer

communications, challenges organizational abilities to ensure reliability and availability in a user-friendly format.

- Data and information are especially important in business networks, alliances, and supply chains. Your responses to this Item should take into account this use of data and information and should recognize the need for rapid data validation and reliability assurance, given the increasing use of electronic data transfer.

- The focus of an organization's knowledge management is on the knowledge that people need to do their work; improve processes, products, and services; keep current with changing business needs and directions; and develop innovative solutions that add value for the customer and the organization.

Human Resource Focus (Category 5)

Human Resource Focus addresses key human resource practices—those directed toward creating and maintaining a high-performance workplace and toward developing employees to enable them and your organization to adapt to change. The Category covers human resource development and management requirements in an integrated way, i.e., aligned with your organization's strategic objectives. Your human resource focus includes your work environment and your employee support climate.

To reinforce the basic alignment of human resource management with overall strategy, the Criteria also cover human resource planning as part of overall planning in the Strategic Planning Category.

5.1 Work Systems

Purpose

This Item examines your organization's systems for work and jobs, compensation, career progression, employee performance management, motivation, recognition, communication, and hiring, with the aim of enabling and encouraging all employees to contribute effectively and to the best of their ability. These systems are intended to foster high performance, to result in individual and organizational learning, and to enable adaptation to change.

Requirements

You are asked how you organize and manage work and jobs to promote cooperation, initiative, empowerment, innovation, agility, and your organizational culture. You are asked how you achieve effective communication and knowledge

and skill sharing. You are asked how your employee performance management system, including feedback to employees, supports high performance and a customer and business focus. This should include how compensation, recognition, and related practices reinforce these objectives.

You are asked how you identify the capabilities needed by potential employees and how you recruit, hire, and retain new employees. Your considerations should include the ability of your work system to benefit from the diverse ideas and cultures of your employees and your communities.

Finally, you are asked how you accomplish effective succession planning for leadership and management positions including senior leadership and how you manage effective career progression for all employees throughout the organization.

Comments

- High-performance work is characterized by flexibility, innovation, knowledge and skill sharing, alignment with organizational objectives, customer focus, and rapid response to changing business needs and requirements of the marketplace. The focus of this Item is on a workforce capable of achieving high performance. In addition to enabled employees and proper work system design, high-performance work requires ongoing education and training, as well as information systems that ensure proper information flow.

- Work and job factors for your consideration include simplification of job classifications, cross-training, job rotation, use of teams (including self-directed teams), and

changes in work layout and location. Also important is effective communication across functions and work units to ensure a focus on customer requirements and to ensure an environment with trust, knowledge sharing, and mutual respe.ct.

- Compensation and recognition systems should be matched to your work systems. To be effective, compensation and recognition might be tied to demonstrated skills and to peer evaluations.

  Compensation and recognition approaches also might include profit sharing, rewarding exemplary team or unit performance, and linkage to customer satisfaction and loyalty measures or other business objectives.

- The requirements of high-performance work, coupled with the challenges of labor markets, necessitate attention to succession planning and hiring profiles. This should include and capitalize on diversity factors. Employee hiring and career progression planning should consider both internal and external candidates with a focus on the future success and growth of the organization.

5.2 Employee Learning and Motivation

Purpose

This Item examines the education, training, and on-the-job reinforcement of knowledge and skills of your organization's workforce. It also examines your organization's systems for motivation and employee career development with the aim of meeting ongoing needs of employees and a high-performance workplace.

Requirements

You are asked how education and training tie to your action plans, including how education and training balance short- and longer-term individual and organizational objectives. You are asked how you seek and use input on education and training needs and delivery from those most directly benefiting—employees and their supervisors and managers. You are asked how you incorporate organizational learning and knowledge assets into your education and training.

You are asked how your employee education, training, and development address key organizational needs associated with technological change, ethical business practices, management and leadership development, orientation of new

employees, safety, diversity, and performance measurement and improvement.

You are asked how you deliver and evaluate education and training, taking into account individual and organizational performance. You are asked how you reinforce knowledge and skills on the job.

Finally, you are asked how your managers and supervisors motivate employees to develop and utilize their full potential, including the mechanisms you use to attain job- and career-related learning objectives.

Comments

- Depending on the nature of your organization's work, employees' responsibilities, and the stage of organizational and personal development, education and training needs might vary greatly. These needs might include gaining skills for knowledge sharing, communication, teamwork, and problem solving; interpreting and using data; meeting customer requirements; process analysis and simplification; waste and cycle time reduction; and setting priorities based on strategic alignment or cost/benefit analysis. Education needs also might include basic skills, such as reading, writing, language, arithmetic, and, increasingly, computer skills.

- Education and training delivery might occur inside or outside your organization and could involve on-the-job, classroom, computer-based, or distance learning, as well as other types of delivery. Training also might occur through developmental assignments within or outside your organization.

- When you evaluate education and training, you should seek effectiveness measures as a critical part of the

evaluation. Such measures might address the impact on individual, unit, and organizational performance; the impact on customer-related performance; and a cost/benefit analysis of the training.

■ Although this Item does not specifically ask you about training for customer contact employees, such training is important and common. It frequently includes learning critical knowledge and skills in the following areas: your products, services, and customers; how to listen to customers; recovery from problems or failures; and how to effectively manage customer expectations.

■ To help employees realize their full potential, many organizations use individual development plans prepared with each employee that address his or her career and learning objectives.

■ Factors inhibiting motivation should be understood and addressed by your organization. Further understanding of these factors could be developed through exit interviews with departing employees.

5.3 Employee Well-Being and Satisfaction

Purpose

This Item examines your organization's work environment, your employee support climate, and how you determine employee satisfaction, with the aim of fostering the well-being, satisfaction, and motivation of all employees while recognizing their diverse needs.

Requirements

You are asked how you ensure a safe, secure, and healthful work environment for all employees, taking into account their differing work environments and associated requirements. Special emphasis is placed on how employees contribute to identifying important factors and to improving workplace safety. You also are asked to identify appropriate measures and targets for key workplace factors so that status and progress can be tracked.

You are asked how you ensure workplace preparedness for emergencies or disasters. You also are asked how you ensure business continuity for the benefit of your employees and customers.

You are asked how you determine the key factors that affect employee well-being, satisfaction, and motivation. Included are how these factors are segmented for a diverse workforce and different categories and types of employees. In addition, you are asked how your services, benefits, and policies support employee well-being, satisfaction, and motivation based upon a holistic view of this key stakeholder group. Special emphasis is placed on the variety of approaches you use to satisfy a diverse workforce with differing needs and expectations.

You are asked to describe formal and informal assessment methods and measures you use to determine employee well-being, satisfaction, and motivation. This description should include how you tailor these methods and measures to a diverse workforce and how you use other indicators (e.g., employee turnover) to support your assessment. Finally, you are asked how you relate assessment findings to key business results to identify key priorities for improvement.

Comments

■ Most organizations, regardless of size, have many opportunities to contribute to employees' well-being, satisfaction, and motivation. Some examples of services, facilities, activities, and other opportunities are personal and career counseling; career development and employability services; recreational or cultural activities; formal and informal recognition; nonwork-related education; day care; special leave for family responsibilities and community service; flexible work hours and benefits packages; outplacement services; and retiree benefits, including extended health care and access to employee services.

■ Although satisfaction with pay and satisfaction with promotion are important, these two factors generally are not sufficient to ensure overall employee satisfaction, motivation, and high performance. Some examples of other factors to consider are effective employee problem and grievance resolution; employee development and career opportunities; work environment and management

suppliers, and novel partnering arrangements. Flexibility might demand special strategies, such as implementing modular designs, sharing components, sharing manufacturing lines, and providing specialized training. Cost and cycle time reduction often involve lean process management strategies. It is crucial to utilize key measures for tracking all aspects of your overall process management.

6.1 Value Creation Processes

Purpose

This Item examines your organization's key product, service, and business processes, with the aim of creating value for your customers and other key stakeholders, and improving your marketplace and operational performance.

Requirements

You are asked to identify your key value creation processes and their requirements. You are asked how these processes are designed, implemented, and performed to meet all your requirements and how you incorporate input from customers, suppliers, and partners, as appropriate. You also are asked how you address key factors in design effectiveness, including cycle time, productivity, and cost control.

You are asked how your processes create value for all key stakeholders and how they contribute to business profitability and success.

You are asked to identify your key performance measures for the control and improvement of your value creation processes, including how in-process measures and customer and supplier feedback are used.

You are asked how you minimize costs associated with inspections, tests, and audits through the use of prevention-based processes.

Finally, you are asked how you improve your value creation processes to achieve better performance and to keep them current with your changing business needs and directions. You are asked how improvements are shared to achieve organizational learning.

Comments

- This Item calls for information on the management and improvement of key value creation processes. The information required includes a description of the key processes, their specific requirements, and how perfor-

support; workplace safety and security; workload; communication, cooperation, and teamwork; job security; appreciation of the differing needs of diverse employee groups; and organizational support for serving customers.

- In addition to direct measures of employee satisfaction and well-being through formal or informal surveys, some other indicators include absenteeism, turnover, grievances, strikes, Occupational Safety and Health Administration (OSHA) reportables, and workers' compensation claims.

Process Management (Category 6)

Process Management is the focal point within the Criteria for all key work processes. Built into the Category are the central requirements for efficient and effective process management: effective design; a prevention orientation; linkage to customers, suppliers, and partners and a focus on value creation for all key stakeholders; operational performance; cycle time; and evaluation, continuous improvement, and organizational learning.

Agility, cost reduction, and cycle time reduction are increasingly important in all aspects of process management and organizational design. In the simplest terms, "agility" refers to your ability to adapt quickly, flexibly, and effectively to changing requirements. Depending on the nature of your organization's strategy and markets, agility might mean rapid changeover from one product to another, rapid response to changing demands, or the ability to produce a wide range of customized services. Agility also increasingly involves decisions to outsource, agreements with key

mance relative to these requirements is determined and maintained. Increasingly, these requirements might include the need for agility—speed and flexibility—to adapt to change.

- Your design approaches could differ appreciably depending on the nature of your products and services—whether the products and services are entirely new, are variants, or involve major or minor process changes. You should consider the key requirements for your products and services. Factors that might need to be considered in design include safety, long-term performance, environmental impact, "green" manufacturing, measurement capability, process capability, manufacturability, maintainability, variability in customer expectations requiring product or service options, supplier capability, and documentation. Effective design also must consider cycle time and productivity of production and delivery processes. This might involve detailed mapping of manufacturing or service processes and redesigning ("re-engineering") those processes to achieve efficiency, as well as to meet changing customer requirements.

- Your key business processes are those nonproduct and nonservice processes that are considered most important to business growth and success by your senior leaders. These processes frequently relate to an organization's strategic objectives and critical success factors. Key business processes might include processes for innovation, research and development, technology acquisition, information and knowledge management, supply chain management, supplier partnering, outsourcing, mergers and acquisitions, global expansion, project management, and sales and marketing. Given the diverse nature of these processes, the requirements and performance characteristics might vary significantly for different processes.

- For many organizations, supply chain management is a growing factor in achieving productivity and profitability goals and overall business success. Suppliers and partners are receiving increasing strategic attention as organizations re-evaluate their core functions. Supplier processes should fulfill two purposes: to help improve the performance of suppliers and partners and also, on specific actions, to help them contribute to your organization's improved performance. Supply chain management might include processes for supplier selection, with the aim of reducing the total number of suppliers and increasing preferred supplier and partnering agreements.

- Many organizations need to consider requirements for suppliers and partners at the design stage. Overall, effective design must take into account all stakeholders in the value chain. If many design projects are carried out in parallel or if your organization's products utilize parts, equipment, and facilities that are used for other products, coordination of resources might be a major concern, but it also might offer a means to significantly reduce unit costs and time to market.

- This Item calls for information on the incorporation of new technology. This could include e-technology for sharing information with suppliers and partners, communicating with customers, and giving them continuous (24/7) access, and automated information transfer from in-service products requiring maintenance in the field.

- Specific reference is made to in-process measurements and customer and supplier interactions. These measurements and interactions require the identification of critical points in processes for measurement, observation, or interaction. These activities should occur at the earliest points possible in processes to minimize problems and costs that may result from deviations from expected performance. Achieving expected performance frequently requires setting performance levels or standards to guide decision making. When deviations occur, corrective

action is required to restore the performance of the process to its design specifications. Depending on the nature of the process, the corrective action could involve technical and human considerations. Proper corrective action involves changes at the source (root cause) of the deviation. Such corrective action should minimize the likelihood of this type of variation occurring again or elsewhere in your organization. When customer interactions are involved, differences among customers must be considered in evaluating how well the process is performing. This might entail allowing for specific or general contingencies, depending on the customer information gathered. This is especially true of professional and personal services.

■ This Item also calls for information on how processes are improved to achieve better performance. Better performance means not only better quality from your customers' perspective but also better financial and operational performance—such as productivity—from your other stakeholders' perspectives. A variety of process improvement approaches are commonly used. These approaches include (1) sharing successful strategies across your organization, (2) process analysis and research (e.g., process mapping, optimization experiments, error proofing), (3) technical and business research and development, (4) benchmarking, (5) using alternative technology, and (6) using information from customers of the processes—within and outside your organization. Process improvement approaches might utilize financial data to evaluate alternatives and set priorities. Together, these approaches offer a wide range of possibilities, including complete redesign ("re-engineering") of processes.

6.2 Support Processes

Purpose

This Item examines your organization's key support processes, with the aim of improving your overall operational performance.

Requirements

You are asked to identify your key support processes and their design requirements. You are asked how your organization's key support processes are designed to meet all your requirements and how you incorporate input from customers, suppliers, and partners, as appropriate. You also are asked how day-to-day operation of your key support processes ensures meeting the key requirements, including how in-process measures and customer and supplier feedback are used.

You are asked how you minimize costs associated with inspections, tests, and audits through the use of prevention-based processes.

Finally, you are asked how you improve your key support processes to achieve better performance and to keep them

current with your changing business needs and directions. You are asked how improvements are shared to achieve organizational learning.

Comments

■ Your support processes are those that support your daily operations and your product and service delivery but are not usually designed in detail with the products and services. The support process requirements usually do not depend significantly on product and service characteristics. Support process design requirements usually depend significantly on your internal requirements, and they must be coordinated and integrated to ensure efficient, effective linkage and performance. Support processes might include finance and accounting, facilities management, legal services, human resource services, public relations, and other administrative services.

■ This Item calls for information on how your organization evaluates and improves the performance of your key support processes. Four approaches frequently used are (1) process analysis and research, (2) benchmarking, (3) use of alternative technology, and (4) use of information from customers of the processes. Together, these approaches offer a wide range of possibilities, including complete redesign ("re-engineering") of processes.

Business Results (Category 7)

The Business Results Category provides a results focus that encompasses your customers' evaluation of your organization's products and services, your overall financial and market performance, your governance structure and social responsibility, and results of all key processes and process improvement activities. Through this focus, the Criteria's purposes—superior value of offerings as viewed by your customers and the marketplace; superior organizational performance as reflected in your operational, legal, ethical, and financial indicators; and organizational and personal learning—are maintained. Category 7 thus provides "real-time" information (measures of progress) for evaluation and improvement of processes, products, and services, in alignment with your overall organizational strategy. Item 4.1 calls for analysis of business results data and information to determine your overall organizational performance.

7.1 Customer-Focused Results

Purpose

This Item examines your organization's customer-focused performance results, with the aim of demonstrating how well your organization has been satisfying your customers and has developed loyalty, repeat business, and positive referral.

Requirements

You are asked to provide current levels, trends, and appro-

priate comparisons for key measures and indicators of customer satisfaction and dissatisfaction, including comparisons with your competitors' levels of customer satisfaction. You are asked to provide data and information on customer loyalty (retention), positive referral, and customer-perceived value.

Comments

- This Item focuses on the creation and use of all relevant data to determine and help predict your organization's performance as viewed by your customers. Relevant data and information include customer satisfaction and dissatisfaction; retention, gains, and losses of customers and customer accounts; customer complaints, complaint management, and warranty claims; customer-perceived value based on quality and price; customer assessment of access and ease of use (including courtesy in service interactions); and awards, ratings, and recognition from customers and independent rating organizations.

- This Item places an emphasis on customer-focused results that go beyond satisfaction measurement because loyalty, repeat business, and longer-term customer relationships are better indicators and measures of future success in the marketplace.

7.2 *Product and Service Results*

Purpose

This Item examines your organization's key product and service performance results, with the aim of delivering product and service quality that leads to customer satisfaction, loyalty, and positive referral.

Requirements

You are asked to provide levels, trends, and appropriate comparisons for key measures and indicators of product and service performance. Such results should be for key drivers of your customers' satisfaction and loyalty.

Comments

- This Item places emphasis on measures of product and service performance that serve as indicators of customers' views and decisions relative to future purchases and relationships. These measures of product and service performance are derived from customer-related information gathered in Items 3.1 and 3.2.

- Product and service measures appropriate for inclusion might be based upon the following: internal quality measurements, field performance of products, defect levels, response times, data collected from your customers by other organizations on ease of use or other attributes, and customer surveys on product and service performance.

- The correlation between product and service performance and customer indicators is a critical management tool with multiple uses: (1) defining and focusing on key quality and customer requirements; (2) identifying

product and service differentiators in the marketplace; and (3) determining cause-effect relationships between your product and service attributes and evidence of customer satisfaction and loyalty, as well as positive referrals. The correlation might reveal emerging or changing market segments, the changing importance of requirements, or even the potential obsolescence of offerings.

7.3 *Financial and Market Results*

Purpose

This Item examines your organization's financial and market results, with the aim of understanding your marketplace challenges and opportunities.

Requirements

You are asked to provide levels, trends, and appropriate comparisons for key financial, market, and business indicators. Overall, these results should provide a complete picture of your financial and marketplace success and challenges.

Comments

- Measures reported in this Item are those usually tracked by senior leadership on an ongoing basis to assess your organization's performance.

- Appropriate financial measures and indicators might include revenue, profits, market position, cash-to-cash cycle time, earnings per share, and returns. Marketplace performance measures might include market share, measures of business growth, new products and markets entered (including e-markets and exports), and the percentage of sales derived from new products.

7.4 *Human Resource Results*

Purpose

This Item examines your organization's human resource results, with the aim of demonstrating how well your organization has been creating and maintaining a positive, productive, learning, and caring work environment for all employees.

Requirements

You are asked to provide data and information on the performance and effectiveness of your organization's work system.

You also are asked to provide current levels, trends, and appropriate comparisons for key measures and indicators of employee learning, development, well-being, satisfaction, and dissatisfaction.

Comments

- Results measures reported for work system performance might include improvement in job classification, job rotation, work layout, and local decision making. Results

reported might include input data, such as extent of training, but the main emphasis should be on data that show effectiveness or outcomes.

- Results reported might include generic or organization-specific factors. Generic factors might include safety, absenteeism, turnover, satisfaction, and complaints (grievances). For some measures, such as absenteeism and turnover, local or regional comparisons might be appropriate.

- Organization-specific factors are those you assess for determining your work system performance and your employees' well-being and satisfaction. These factors might include the extent of training or cross-training or the extent and success of self-direction.

7.5 *Organizational Effectiveness Results*

Purpose

This Item examines your organization's other key operational performance results not reported in Items 7.1–7.4, with the aim of achieving organizational effectiveness and attaining key organizational goals.

Requirements

You are asked to provide current levels, trends, and appropriate comparisons for key measures and indicators of operational and strategic performance that lead to your organization's creation of value and the ongoing achievement of results reported in Items 7.1–7.4.

Comments

- This Item encourages your organization to develop and include unique and innovative measures to track business development and operational improvement. However, all key areas of business and operational performance should be evaluated by measures that are relevant and important to your organization.

- Measures and indicators of operational effectiveness and efficiency might include reduced emission levels, waste stream reductions, by-product use, and recycling; internal responsiveness indicators such as cycle times, production flexibility, lead times, set-up times, and time to market;

business-specific indicators such as innovation rates and increased use of e-technology, product and process yields, Six Sigma initiative results, and delivery performance to request; supply chain indicators such as reductions in inventory and incoming inspections, increases in quality and productivity, improvements in electronic data exchange, and reductions in supply chain management costs; third-party assessment results such as ISO 9000 audits; and indicators of strategic goal achievement.

7.6 *Governance and Social Responsibility Results*

Purpose

This Item examines your organization's key results in the area of societal responsibilities, with the aim of maintaining an ethical organization that is a good citizen in its communities.

Requirements

You are asked to provide data and information on key measures or indicators of organizational accountability, stakeholder trust, and ethical behavior.

You also are asked to provide data and information on your organization's regulatory and legal compliance and citizenship.

Comments

- Independent of an increased focus on issues of governance, ethics, and board and leadership accountability, it is important for organizations to practice and demonstrate high standards of overall conduct. Boards and senior leaders should track relevant performance measures on a regular basis and emphasize this performance in stakeholder communications.

- Measures should include environmental and regulatory compliance and noteworthy achievements in these areas, as appropriate. Results also should include indicators of support for key communities and other public purposes.

- If your organization has received sanctions or adverse actions under law, regulation, or contract during the past three years, the incidents and their current status should be summarized.

Scoring System

The scoring of responses to Criteria Items (Items) and Award applicant feedback are based on two evaluation dimensions: (1) Process and (2) Results. Criteria users need to furnish information relating to these dimensions. Specific factors for these dimensions are described below. Scoring Guidelines are given on pages 56–57.

Process

"Process" refers to the methods your organization uses and improves to address the Item requirements in Categories 1–6. The four factors used to evaluate process are Approach, Deployment, Learning, and Integration (A–D–L–I).

"Approach" refers to

- the methods used to accomplish the process
- the appropriateness of the methods to the Item requirements
- the effectiveness of use of the methods
- the degree to which the approach is repeatable and based on reliable data and information (i.e., systematic)

"Deployment" refers to the *extent* to which

- your approach is applied in addressing Item requirements relevant and important to your organization
- your approach is applied consistently
- your approach is used by all appropriate work units

"Learning" refers to

- refining your approach through cycles of evaluation and improvement
- encouraging breakthrough change to your approach through innovation
- sharing of refinements and innovation with other relevant work units and processes in your organization

"Integration" refers to the *extent* to which

- your approach is aligned with your organizational needs identified in other Criteria Item requirements
- your measures, information, and improvement systems are complementary across processes and work units
- your plans, processes, results, analysis, learning, and actions are harmonized across processes and work units to support organization-wide goals

Results

"Results" refers to your organization's *outputs and outcomes* in achieving the requirements in Items 7.1–7.6. The four factors used to evaluate results are

- your current level of performance
- rate (i.e., slope of trend data) and breadth (i.e., how

widely deployed and shared) of your performance improvements

- your performance relative to appropriate comparisons and/or benchmarks
- linkage of your results measures (often through segmentation) to important customer, product and service, market, process, and action plan performance requirements identified in your Organizational Profile and in Process Items

Item Classification and Scoring Dimensions

Items are classified according to the kinds of information and/or data you are expected to furnish relative to the two evaluation dimensions given above.

The two types of Items are designated as

1. Process   **Process**
2. Results   **Results**

In Process Items, approach–deployment–learning–integration are linked to emphasize that descriptions of approach should always indicate the deployment—consistent with the *specific requirements* of the Item. As processes mature, their description also should indicate how cycles of learning, as well as integration with other processes and work units, occur. Although the approach–deployment–learning–integration factors are linked, feedback to Award applicants reflects strengths and/or opportunities for improvement in any or all of these factors.

Results Items call for data showing performance levels, improvement rates, and relevant comparative data for key measures and indicators of organizational performance. Results Items also call for data on breadth of performance improvements. This is directly related to deployment and organizational learning; if improvement processes are widely shared and deployed, there should be corresponding results. A score for a Results Item is thus a composite based upon overall performance, taking into account the rate and breadth of improvements and their importance to the Item requirements and your business. (See next paragraph.)

"Importance" as a Scoring Consideration

The two evaluation dimensions described previously are critical to evaluation and feedback. However, another critical consideration in evaluation and feedback is the *importance* of your reported process and results to your key business factors. The areas of greatest importance should be identified in your Organizational Profile and in Items such as 2.1, 2.2, 3.1, 5.1, and 6.1. Your key customer requirements, competitive environment, key strategic objectives, and action plans are particularly important.

Assignment of Scores to Your Responses

The following guidelines should be observed in assigning scores to Item responses.

- All Areas to Address should be included in your Item response. Also, responses should reflect what is important to your organization.

- In assigning a score to an Item, first decide which scoring range (e.g., 50 percent to 65 percent) is most descriptive of the organization's achievement level as presented in the Item response. "Most descriptive of the organization's achievement level" can include some gaps in one or more of the A–D–L–I (process) factors *or* results factors for the chosen scoring range. An organization's achievement level is based on a holistic view of either the four process or four results factors in aggregate and not on a tallying or averaging of independent assessments against each of the four factors. Assigning the actual score *within* the chosen range requires evaluating whether the Item response is closer to the statements in the next higher or next lower scoring range.

- A Process Item score of 50 percent represents an approach that meets the overall requirements of the Item, that is deployed consistently and to most work units covered by the Item, that has been through some cycles of improvement and learning, and that addresses the key organizational needs. Higher scores reflect greater achievement, demonstrated by broader deployment, significant organizational learning, and increased integration.

- A Results Item score of 50 percent represents a clear indication of improvement trends and/or good levels of performance with appropriate comparative data in the results areas covered in the Item and *important* to the business. Higher scores reflect better improvement rates and/or levels of performance, better comparative performance, and broader coverage and integration with business requirements.

SCORING GUIDELINES

For Use With Categories 1–6

| SCORE	PROCESS
0% or 5%	■ No SYSTEMATIC APPROACH is evident; information is ANECDOTAL. (A) ■ Little or no DEPLOYMENT of an APPROACH is evident. (D) ■ No evidence of an improvement orientation; improvement is achieved through reacting to problems. (L) ■ No organizational ALIGNMENT is evident; individual areas or work units operate independently. (I)
10%, 15%, 20%, or 25%	■ The beginning of a SYSTEMATIC APPROACH to the BASIC REQUIREMENTS of the Item is evident. (A) ■ The APPROACH is in the early stages of DEPLOYMENT in most areas or work units, inhibiting progress in achieving the BASIC REQUIREMENTS of the Item. (D) ■ Early stages of a transition from reacting to problems to a general improvement orientation are evident. (L) ■ The APPROACH is ALIGNED with other areas or work units largely through joint problem solving. (I)
30%, 35%, 40%, or 45%	■ An EFFECTIVE, SYSTEMATIC APPROACH, responsive to the BASIC REQUIREMENTS of the Item, is evident. (A) ■ The APPROACH is DEPLOYED, although some areas or work units are in early stages of DEPLOYMENT. (D) ■ The beginning of a SYSTEMATIC APPROACH to evaluation and improvement of KEY PROCESSES is evident. (L) ■ The APPROACH is in early stages of ALIGNMENT with your basic organizational needs identified in response to the other Criteria Categories. (I)
50%, 55%, 60%, or 65%	■ An EFFECTIVE, SYSTEMATIC APPROACH, responsive to the OVERALL REQUIREMENTS of the Item, is evident. (A) ■ The APPROACH is well DEPLOYED, although DEPLOYMENT may vary in some areas or work units. (D) ■ A fact-based, SYSTEMATIC evaluation and improvement PROCESS and some organizational LEARNING are in place for improving the efficiency and effectiveness of KEY PROCESSES. (L) ■ The APPROACH is ALIGNED with your organizational needs identified in response to the other Criteria Categories. (I)
70%, 75%, 80%, or 85%	■ An EFFECTIVE, SYSTEMATIC APPROACH, responsive to the MULTIPLE REQUIREMENTS of the Item, is evident. (A) ■ The APPROACH is well DEPLOYED, with no significant gaps. (D) ■ Fact-based, SYSTEMATIC evaluation and improvement and organizational LEARNING are KEY management tools; there is clear evidence of refinement and INNOVATION as a result of organizational-level ANALYSIS and sharing. (L) ■ The APPROACH is INTEGRATED with your organizational needs identified in response to the other Criteria Items. (I)
90%, 95%, or 100%	■ An EFFECTIVE, SYSTEMATIC APPROACH, fully responsive to the MULTIPLE REQUIREMENTS of the Item, is evident. (A) ■ The APPROACH is fully DEPLOYED without significant weaknesses or gaps in any areas or work units. (D) ■ Fact-based, SYSTEMATIC evaluation and improvement and organizational LEARNING are KEY organization-wide tools; refinement and INNOVATION, backed by ANALYSIS and sharing, are evident throughout the organization. (L) ■ The APPROACH is well INTEGRATED with your organizational needs identified in response to the other Criteria Items. (I)

Scoring Guidelines

For Use With Category 7

| SCORE	RESULTS
0% or 5%	■ There are no business RESULTS or poor RESULTS in areas reported. ■ TREND data are either not reported or show mainly adverse TRENDS. ■ Comparative information is not reported. ■ RESULTS are not reported for any areas of importance to your organization's KEY business requirements.
10%, 15%, 20%, or 25%	■ A few business RESULTS are reported; there are some improvements and/or early good PERFORMANCE LEVELS in a few areas. ■ Little or no TREND data are reported. ■ Little or no comparative information is reported. ■ RESULTS are reported for a few areas of importance to your organization's KEY business requirements.
30%, 35%, 40%, or 45%	■ Improvements and/or good PERFORMANCE LEVELS are reported in many areas addressed in the Item requirements. ■ Early stages of developing TRENDS are evident. ■ Early stages of obtaining comparative information are evident. ■ RESULTS are reported for many areas of importance to your organization's KEY business requirements.
50%, 55%, 60%, or 65%	■ Improvement TRENDS and/or good PERFORMANCE LEVELS are reported for most areas addressed in the Item requirements. ■ No pattern of adverse TRENDS and no poor PERFORMANCE LEVELS are evident in areas of importance to your organization's KEY business requirements. ■ Some TRENDS and/or current PERFORMANCE LEVELS—evaluated against relevant comparisons and/or BENCHMARKS—show areas of good to very good relative PERFORMANCE. ■ Business RESULTS address most KEY CUSTOMER, market, and PROCESS requirements.
70%, 75%, 80%, or 85%	■ Current PERFORMANCE is good to excellent in most areas of importance to the Item requirements. ■ Most improvement TRENDS and/or current PERFORMANCE LEVELS are sustained. ■ Many to most reported TRENDS and/or current PERFORMANCE LEVELS—evaluated against relevant comparisons and/or BENCHMARKS—show areas of leadership and very good relative PERFORMANCE. ■ Business RESULTS address most KEY CUSTOMER, market, PROCESS, and ACTION PLAN requirements.
90%, 95%, or 100%	■ Current PERFORMANCE is excellent in most areas of importance to the Item requirements. ■ Excellent improvement TRENDS and/or sustained excellent PERFORMANCE LEVELS are reported in most areas. ■ Evidence of industry and BENCHMARK leadership is demonstrated in many areas. ■ Business RESULTS fully address KEY CUSTOMER, market, PROCESS, and ACTION PLAN requirements.

Steps Toward Mature Processes
## An Aid for Scoring Process Items

(1) Reacting to Problems
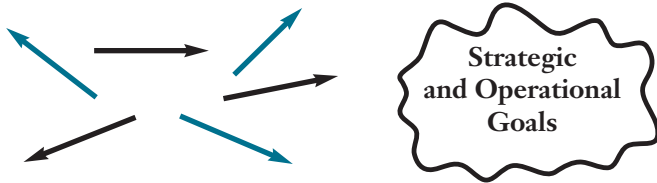
Operations are characterized by activities rather than by processes, and they are largely responsive to immediate needs or problems. Goals are poorly defined.

(2) Early Systematic Approaches
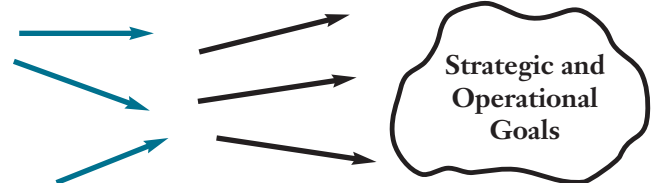
The organization is at the beginning stages of conducting operations by processes with repeatability, evaluation and improvement, and some early coordination among organizational units. Strategy and quantitative goals are being defined.

(3) Aligned Approaches
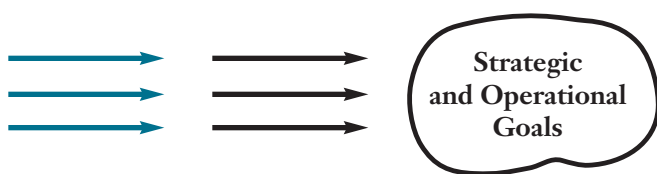
Operations are characterized by processes that are repeatable and regularly evaluated for improvement, with learnings shared and with coordination among organizational units. Processes address key strategies and goals of the organization.

(4) Integrated Approaches
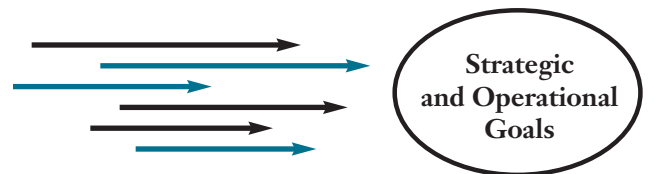
Operations are characterized by processes that are repeatable and regularly evaluated for change and improvement in collaboration with other affected units. Efficiencies across units are sought and achieved, through analysis, innovation, and sharing. Processes and measures track progress on key strategic and operational goals.

2004 CRITERIA RESPONSE GUIDELINES

The guidelines given in this section are offered to assist Criteria users in responding most effectively to the requirements of the 19 Criteria Items. Writing an application for the Baldrige Award involves responding to these requirements in 50 or fewer pages.

The guidelines are presented in three parts:

(1) General Guidelines regarding the Criteria booklet, including how the Items are formatted
(2) Guidelines for Responding to Process Items
(3) Guidelines for Responding to Results Items

General Guidelines

1. Read the entire Criteria booklet.

The main sections of the booklet provide an overall orientation to the Criteria, including how responses are to be evaluated for self-assessment or by Award Examiners. You should become thoroughly familiar with the following sections:

- Criteria for Performance Excellence (pages 10–29)
- Scoring System (pages 55–58)
- Glossary of Key Terms (pages 30–36)
- Category and Item Descriptions (pages 37–54)

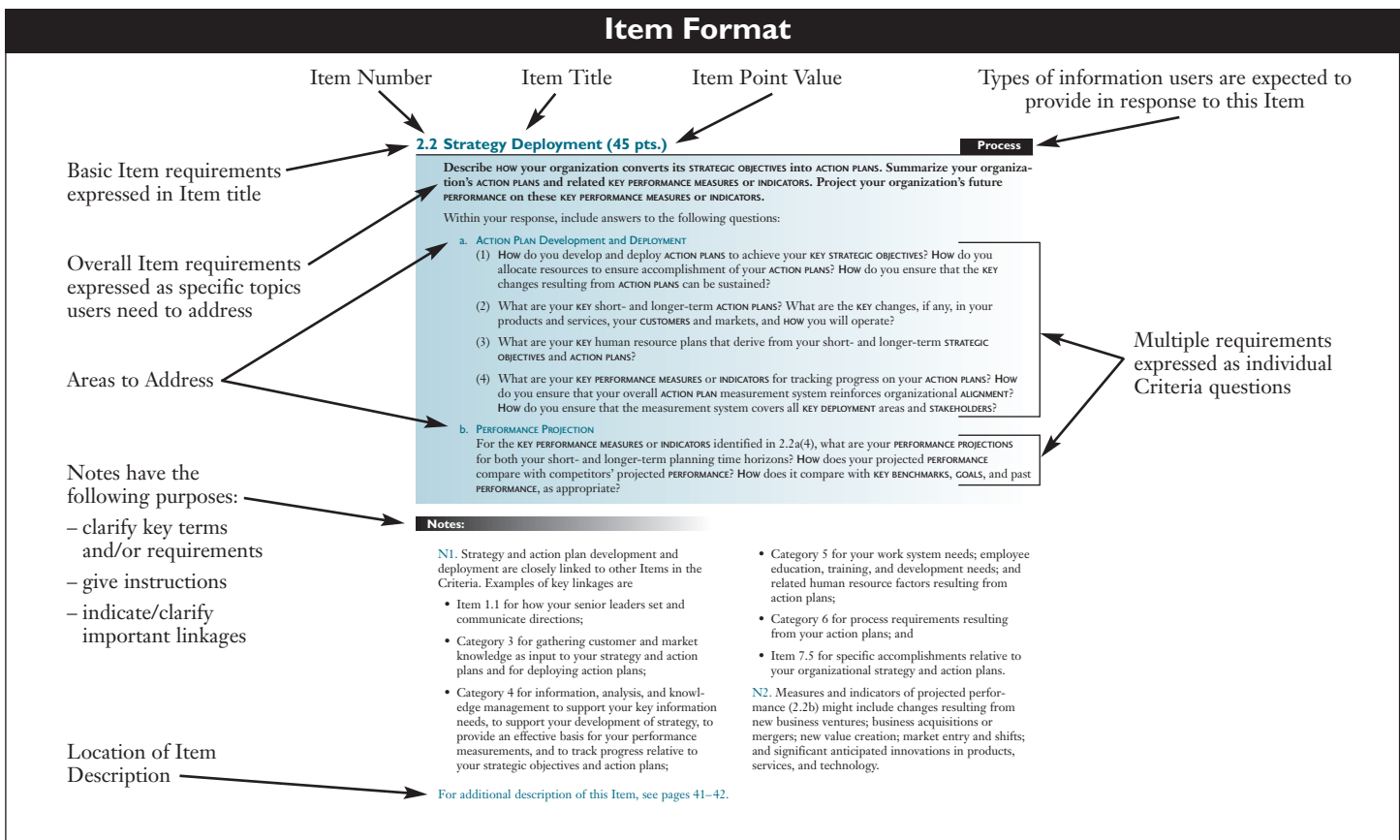### 2. Review the Item format and understand how to respond to the Item requirements.

The Item format (see figure below) shows the different parts of Items, the role of each part, and where each part is placed. It is especially important to understand the Areas to Address and the Item Notes. Each Item and Area to Address is described in greater detail in the Category and Item Descriptions section (pages 37–54).

Each Item is classified as either **Process** or **Results**, depending on the type of information required. Guidelines for responding to Process Items are given on page 56. Guidelines for responding to Results Items are given on page 57.

Item requirements are presented in question format. Some Areas to Address include multiple questions. Responses to an Item should contain responses to all questions; however, each question need not be answered separately. Responses to multiple questions within a single Area to Address may be grouped, as appropriate to your organization. These multiple questions serve as a guide in understanding the full meaning of the information being requested.

3. Start by preparing the Organizational Profile.

The Organizational Profile is the most appropriate starting point. The Organizational Profile is intended to help everyone—including organizations using the Criteria for self-assessment, application writers, and reviewers—to

Item Format

Item Number | Item Title | Item Point Value | Types of information users are expected to provide in response to this Item

Basic Item requirements expressed in Item title

Overall Item requirements expressed as specific topics users need to address

Areas to Address

Notes have the following purposes:
– clarify key terms and/or requirements
– give instructions
– indicate/clarify important linkages

Location of Item Description

Multiple requirements expressed as individual Criteria questions

2.2 Strategy Deployment (45 pts.) [Process]

Describe HOW your organization converts its STRATEGIC OBJECTIVES into ACTION PLANS. Summarize your organization's ACTION PLANS and related KEY PERFORMANCE MEASURES OR INDICATORS. Project your organization's future PERFORMANCE on these KEY PERFORMANCE MEASURES OR INDICATORS.

Within your response, include answers to the following questions:

a. ACTION PLAN Development and DEPLOYMENT

(1) How do you develop and deploy ACTION PLANS to achieve your KEY STRATEGIC OBJECTIVES? How do you allocate resources to ensure accomplishment of your ACTION PLANS? How do you ensure that the KEY changes resulting from ACTION PLANS can be sustained?

(2) What are your KEY short- and longer-term ACTION PLANS? What are the KEY changes, if any, in your products and services, your CUSTOMERS and markets, and HOW you will operate?

(3) What are your KEY human resource plans that derive from your short- and longer-term STRATEGIC OBJECTIVES and ACTION PLANS?

(4) What are your KEY PERFORMANCE MEASURES OR INDICATORS for tracking progress on your ACTION PLANS? How do you ensure that your overall ACTION PLAN measurement system reinforces organizational ALIGNMENT? How do you ensure that the measurement system covers all KEY DEPLOYMENT areas and STAKEHOLDERS?

b. PERFORMANCE PROJECTION

For the KEY PERFORMANCE MEASURES OR INDICATORS identified in 2.2a(4), what are your PERFORMANCE PROJECTIONS for both your short- and longer-term planning time horizons? How does your projected PERFORMANCE compare with competitors' projected PERFORMANCE? How does it compare with KEY BENCHMARKS, GOALS, and past PERFORMANCE, as appropriate?

Notes:

N1. Strategy and action plan development and deployment are closely linked to other Items in the Criteria. Examples of key linkages are

- Item 1.1 for how your senior leaders set and communicate directions;
- Category 3 for gathering customer and market knowledge as input to your strategy and action plans and for deploying action plans;
- Category 4 for information, analysis, and knowledge management to support your key information needs, to support your development of strategy, to provide an effective basis for your performance measurements, and to track progress relative to your strategic objectives and action plans;

- Category 5 for your work system needs; employee education, training, and development needs; and related human resource factors resulting from action plans;
- Category 6 for process requirements resulting from your action plans; and
- Item 7.5 for specific accomplishments relative to your organizational strategy and action plans.

N2. Measures and indicators of projected performance (2.2b) might include changes resulting from new business ventures; business acquisitions or mergers; new value creation; market entry and shifts; and significant anticipated innovations in products, services, and technology.

For additional description of this Item, see pages 41–42.

understand what is most relevant and important to your organization's business and to its performance. The questions to address in responding to the Organizational Profile are on pages 10–12. The Organizational Profile is described in greater detail on pages 37–38.

Guidelines for Responding to Process Items

Although the Criteria focus on key performance results, these results by themselves offer little *diagnostic* value. For example, if some results are poor or are improving at rates slower than your competitors', it is important to understand *why* this is so and *what* might be done to accelerate improvement.

The purpose of Process Items is to permit diagnosis of your organization's most important processes—the ones that yield fast-paced organizational performance improvement and contribute to key business results. Diagnosis and feedback depend heavily on the content and completeness of your Item responses. For this reason, it is important to respond to these Items by providing your *key* process information. Guidelines for organizing and reviewing such information follow.

1. **Understand the meaning of "how."**

   Process Items include questions that begin with the word "how." *Responses should outline your key process information that addresses approach, deployment, learning, and integration (see page 55).* Responses lacking such information, or merely providing an example, are referred to in the Scoring Guidelines as "anecdotal information."

2. **Understand the meaning of "what."**

   Two types of questions in Process Items begin with the word "what." The first type of question requests basic information on key processes and how they work. Although it is helpful to include *who* performs the work, merely stating *who* does not permit diagnosis or feedback. The second type of question requests information on *what* your key findings, plans, objectives, goals, or measures are. These latter questions set the context for showing alignment and integration in your performance management system. For example, when you identify key strategic objectives, your action plans, human resource development plans, some of your performance measures, and some results reported in Category 7 should be expected to relate to the stated strategic objectives.

3. **Write and review response(s) with the following guidelines and comments in mind.**

   ■ Show that processes are *systematic*.

   Systematic approaches are repeatable and use data and information to improve learning. In other words, approaches are systematic if they build in the opportunity for evaluation, improvement, innovation, and sharing, thereby permitting a gain in maturity.

   ■ Show deployment.

Deployment information should summarize what is done in different parts of your organization. Deployment can be shown compactly by using tables.

■ Show evidence of learning.

Processes should include evaluation and improvement cycles, as well as the potential for breakthrough change. Process improvements should be shared with other appropriate units of the organization to enable organizational learning.

■ Show integration.

Integration shows process, plan, measures, and action alignment and harmonization that generate organizational effectiveness and efficiencies.

■ Show focus and consistency.

There are four important considerations regarding focus and consistency: (1) the Organizational Profile should make clear what is important; (2) the Strategic Planning Category, including the strategic objectives and action plans, should highlight areas of greatest focus and describe how deployment is accomplished; (3) descriptions of organizational-level analysis and review (Items 4.1 and 1.1) should show how your organization analyzes and reviews performance information to set priorities; and (4) the Process Management Category should highlight processes that are key to your overall performance. *Showing focus and consistency in the Process Items and tracking corresponding measures in the Results Items should improve business performance.*

■ Respond fully to Item requirements.

Missing information will be interpreted as a gap in your process. All Areas to Address should be addressed. Individual questions within an Area to Address may be addressed individually or together.

4. Cross-reference when appropriate.

As much as possible, each Item response should be self-contained. However, responses to different Items might be mutually reinforcing. It is then appropriate to refer to the other responses rather than to repeat information. In such cases, key process information should be given in the Item requesting this information. For example, employee education and training should be described in detail in Item 5.2. Discussions about education and training elsewhere in your application would then reference but not repeat details given in your Item 5.2 response.

5. Use a compact format.

Applicants should make the best use of the 50 application pages permitted. Applicants are encouraged to use flowcharts, tables, and "bullets" to present information concisely.

6. Refer to the Scoring Guidelines.

Considerations in the evaluation of Item responses include the Criteria Item requirements and the maturity of your approaches, breadth of deployment, extent of learning, and integration with other elements of your performance management system, as described in the Scoring Guidelines. Therefore, you need to consider both the Criteria and the Scoring Guidelines.

Guidelines for Responding to Results Items

The Criteria place a major emphasis on results. The following information, guidelines, and example relate to effective and complete reporting of results.

1. Focus on the most critical business results.

Results reported should cover the most important requirements for your business success, highlighted in your Organizational Profile and in the Strategic Planning, Customer and Market Focus, and Process Management Categories.

2. Note the meaning of the four key requirements from the Scoring Guidelines for effective reporting of results data:

- *performance* levels that are reported on a meaningful measurement scale
- *trends* to show directions of results and rates of change
- *comparisons* to show how results compare with those of other, appropriately selected organizations
- *breadth and importance of results* to show that all important results are included and segmented, e.g., by important customer, employee, process, and product line groups

3. Include trend data covering actual periods for tracking trends.

No minimum period of time is specified for trend data. Trends might span five years or more for some results. Time intervals between data points should be meaningful for the specific measure(s) reported. For important results, new data should be included even if trends and comparisons are not yet well established.

4. Use a compact format—graphs and tables.

Many results can be reported compactly by using graphs and tables. Graphs and tables should be labeled for easy interpretation. Results over time or compared with others should be "normalized," i.e., presented in a way (such as use of ratios) that takes into account various size factors. For example, reporting safety trends in terms of lost work days per 100 employees would be more meaningful than total lost work days if the number of employees has varied over the time period or if you are comparing your results to organizations differing in size.

5. Integrate results into the body of the text.

Discussion of results and the results themselves should be close together in an Award application. *Trends that show a significant positive or negative change should be explained.* Use figure numbers that correspond to Items. For example, the third figure for Item 7.2 would be Figure 7.2-3. (See the example in the figure that follows.)

The graph shown on page 62 illustrates data an organization might present as part of a response to Item 7.2, Product and Service Results. In the Organizational Profile, the organization has indicated on-time delivery as a key customer requirement.

Using the graph, a number of characteristics of clear and effective data reporting are illustrated.

Figure 7.2-3 **On-Time Delivery Performance**
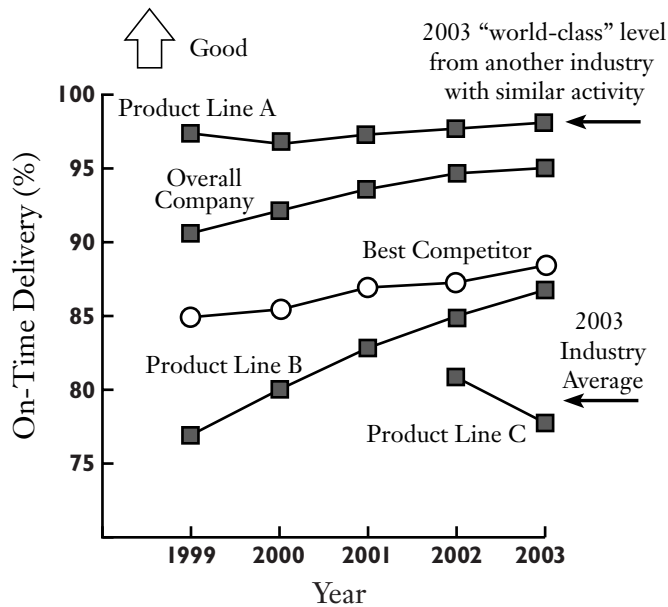
- A figure number is provided for reference to the graph in the text.
- Both axes and units of measure are clearly labeled.
- Trend lines report data for a key customer requirement—on-time delivery.
- Results are presented for several years.
- An arrow indicates that an upward trend is good for this measure
- Appropriate comparisons are clearly shown.
- The company shows, using a single graph, that its three product lines are separately tracked for on-time delivery.

To help interpret the Scoring Guidelines (pages 56–57), the following comments on the graphed results would be appropriate:

- The current overall company performance level is excellent. This conclusion is supported by the comparison with industry competitors and with a "world-class" level.
- The company shows excellent improvement trends.

- Product Line A is the current performance leader—showing sustained high performance (on-time delivery) and a slightly positive trend. Product Line B shows rapid improvement. Its delivery schedule is near that of the best industry competitor but trails the "world-class" level.
- Product Line C—a new product—is having early problems with on-time delivery. (The company should explain briefly these early problems.)

6. **Refer to the Scoring Guidelines.**
   Considerations in the evaluation of Item responses include the Criteria Item requirements and the significance of the results trends, actual performance levels, relevant comparative data, alignment with important elements of your performance management system, and the strength of the improvement process relative to the Scoring Guidelines. Therefore, you need to consider both the Criteria and the Scoring Guidelines.

Applying for the Malcolm Baldrige National Quality Award

The Malcolm Baldrige National Quality Award is an annual Award to recognize U.S. organizations for performance excellence.

Award Purpose

The Award promotes

- awareness of performance excellence as an increasingly important element in competitiveness

- information sharing of successful performance strategies and the benefits derived from using these strategies

Award Participation

The Award eligibility categories include

- manufacturing businesses

- service businesses

- small businesses

- education organizations

- health care organizations

Copies of the Education and Health Care Criteria booklets are available, and ordering information can be found on pages 66–67.

Up to three awards may be given in each category each year.

To participate in the Award process, an organization must submit an application package that addresses the Criteria for Performance Excellence (pages 10–29).

Application Requirements

Applying for the Award is a two-step process. A brief description of these steps is provided on page 64. Detailed information on the requirements and contents of the Eligibility Certification Package and the Application Package, due dates, and fees are provided in the *Baldrige Award Application Forms* booklet. Ordering information for

Fees for the 2004 Award Cycle

Award Category	Eligibility Fee	Application Fee*	Supplemental Section Fee (if applicable)**	Site Visit Fee Usual Range (if applicable)***
Manufacturing	$150	$5,000*	$2,000	$20,000–$35,000
Service	$150	$5,000*	$2,000	$20,000–$35,000
Small Business	$150	$2,000*	$1,000	$10,000–$17,000
Education Not-for-profit	$150	$ 500*	$ 250	$ 1,500
Education For-profit >500 faculty/staff	$150	$5,000*	$2,000	$20,000–$35,000
Education For-profit 500 or fewer faculty/staff	$150	$2,000*	$1,000	$10,000–$17,500
Health Care >500 staff	$150	$5,000*	$2,000	$20,000–$35,000
Health Care 500 or fewer staff	$150	$2,000*	$1,000	$10,000–$17,500

  * An additional processing fee of $1,250 is required for applications submitted on CD.

 ** Supplemental sections are **not** applicable for applicants with (a) a single performance system that supports all of their product and/or service lines and (b) products or services that are essentially similar in terms of customers/users, technology, types of employees, and planning.

*** Site Visit Review Fee
  This fee is paid only by applicants receiving site visits. The fee is set when visits are scheduled and is dependent on a number of factors, including the number of sites to be visited, the number of Examiners assigned, and the duration of the visit.

  Site visit fees for applicants with more than 500 employees in the manufacturing, service, for-profit education, and health care sectors usually range between $20,000 and $35,000. However, the site visit fee for small businesses, for-profit education organizations with 500 or fewer faculty/staff, and health care organizations with 500 or fewer staff is approximately one-half that rate. In 2004, the site visit fee for not-for-profit education organizations is $1,500. All site visit fees are due to ASQ two weeks after completion of the site visit.

the booklet is given on page 66; it may also be viewed and downloaded from our Web site at www.baldrige.nist.gov.

Step 1, Eligibility Certification Package

Organizations filing an Eligibility Certification Package may nominate one senior member of their staff to serve on the Board of Examiners. Organizations that wish to reserve a place on the Board for a staff member must submit their Eligibility Certification Package by March 12, 2004. If an organization chooses not to nominate someone to the Board, the due date for the Eligibility Certification Package is April 13, 2004.

Step 2, Application Package

The Application Package may be submitted in either CD/PDF format or on paper.

If submitted in CD/PDF format, the Application Package must be postmarked no later than May 13, 2004. If submitted on paper, 25 copies of the Application Package must be postmarked no later than May 27, 2004.

Application Review

Applications are reviewed and evaluated by members of the Board of Examiners, who adhere to strict rules regarding conflict of interest, using the following process:

Stage 1 - independent review and evaluation by at least six members of the board

Stage 2 - consensus review and evaluation for applications that score well in Stage 1

Stage 3 - site visits to applicants that score well in Stage 2

Judges' review and recommendations of Award recipients

Feedback to Applicants

Each Award applicant receives a feedback report at the conclusion of the review process. The feedback report is a written assessment by an evaluation team of leading U.S. experts.

The feedback report contains an applicant-specific listing of strengths and opportunities for improvement based on the Criteria. Used by companies, education organizations, and health care organizations as part of their strategic planning processes, the feedback report helps organizations focus on their customers and improve overall performance. Feedback is one of the most important parts of the Baldrige Award process; it provides a pathway for improvement.

Feedback reports are mailed at various times during the Award cycle, based on the stage of review an application reaches in the evaluation process. Strict confidentiality is observed at all times and in every aspect of application review and feedback.

Award Recipients

Award recipients may publicize and advertise their Awards. Recipients are expected to share information about their successful performance strategies with other U.S. organizations.

Eligibility Certification Packages due—April 13, 2004

Eligibility Certification Packages requesting placements for Board of Examiners candidates due—March 12, 2004

Award Application Packages submitted on CD due—May 13, 2004

Award Application Packages submitted on paper due—May 27, 2004

If your organization is applying in either the education or health care category, refer to the appropriate sector-specific Criteria booklet and the *Baldrige Award Application Forms* booklet. Ordering information is on pages 66–67.

SUMMARY OF BUSINESS ELIGIBILITY CATEGORIES AND RESTRICTIONS

Important Facts about Applying for the Award

- Criteria contained in this booklet should be used only for the business eligibility categories (manufacturing, service, and small business). Applicants in the education and health care eligibility categories should use the *Education Criteria for Performance Excellence* and the *Health Care Criteria for Performance Excellence* booklets, respectively.

- The following is a summary of the eligibility rules for the business categories. Summaries of the eligibility rules for the education and health care categories are in their respective Criteria booklets. For-profit education or health care organizations may apply under the service or small business categories, as appropriate, using these Criteria or under the health care or education categories, using their respective Criteria. If there is a question on eligibility, check the complete eligibility rules in the *Baldrige Award Application Forms* booklet or call the Baldrige National Quality Program Office at (301) 975-2036.

- Whatever your Award eligibility category, you will need to obtain a copy of the *Baldrige Award Application Forms* booklet before proceeding. Ordering instructions are given on page 66, or you can download the booklet from our Web site at www.baldrige.nist.gov.

Basic Eligibility

Public Law 100-107 established the three business eligibility categories for the Award: manufacturing, service, and small business. Any for-profit business and some subunits headquartered in the United States or its territories, including U.S. subunits of foreign companies, may apply for the Award. Eligibility is intended to be as open as possible. For example, publicly or privately owned organizations, domestic or foreign-owned entities, joint ventures, corporations, sole proprietorships, and holding companies may apply. Not eligible in the business category are local, state, and federal government agencies; trade associations; professional societies; and not-for-profit organizations.

Business Award Eligibility Categories

Manufacturing: Companies or some subunits (see section below on subunits) that produce and sell manufactured products or manufacturing processes, and producers of agricultural, mining, or construction products.

Service: Companies or some subunits (see section below on subunits) that sell services.

Small Business: Companies or some subunits engaged in manufacturing and/or the provision of services that have 500 or fewer employees.

Eligibility of Subunits

A subunit is a unit or division of a larger (parent) company. Subunits of companies in the manufacturing or service eligibility categories might be eligible. To be eligible, the subunit must have more than 500 employees, or have more than 25 percent of the employees of the parent, or have been independent prior to being acquired by its parent. In the last case, it must continue to operate largely independently under its own identity.

The subunit must be self-sufficient enough to be examined in all seven Criteria Categories, and it must be a discrete business entity that is readily distinguishable from other parts of the parent organization. It cannot be primarily an internal supplier to other units in the parent company or be a business support function (e.g., sales, distribution, legal services).

Other Restrictions on Eligibility

Location: Although an applicant may have facilities outside the United States or its territories, or it may receive support from its parent, in the event of a site visit, the applicant must ensure that the appropriate people and information are available for examination in the United States. This information is needed to document the operational practices associated with all of its major business functions. In the event that the applicant receives the Award, it must be able to share information on the seven Criteria Categories at The Quest for Excellence Conference and at its U.S. facilities. Sharing beyond The Quest for Excellence Conference is on a voluntary basis.

Multiple-Application Restrictions: A subunit and its parent may not both apply for Awards in the same year. In some cases, more than one subunit of a parent may apply. If the *parent* organization, including all of its subunits, has

- 0–1,000 employees, one applicant per parent per eligibility category may apply

- 1,001–20,000 employees, two applicants per parent per eligibility category may apply

- over 20,000 employees, two applicants per parent per eligibility category for the first 20,000, plus one per 20,000 or fraction thereof above 20,000 per eligibility category, may apply

Future Eligibility Restrictions: If an organization or a subunit that has over 50 percent of the total employees of the parent receives an Award, the organization and all its subunits are ineligible to apply for another Award for a period of five years. If a subunit receives an Award, that subunit and all its subunits are ineligible to apply for another Award for a period of five years. After five years, Award recipients are eligible to reapply for the Award or to reapply "for feedback only."

Eligibility Forms

Potential applicants must certify their eligibility prior to applying for the Award. Potential applicants for the 2004 Award are encouraged to submit their Eligibility Certification Packages as soon as possible but no later than April 13, 2004. In order to reserve a place on the Board of Examiners for a member of your organization's senior staff, the package must be submitted no later than March 12, 2004. The forms and necessary information are contained in the *Baldrige Award Application Forms* booklet.

How to Obtain Copies of Baldrige Program Materials

Note: If you are planning to apply for the Award, you will need the *Baldrige Award Application Forms* booklet in addition to the Criteria booklet.

Individual Orders

Individual copies of the Criteria booklets and the *Baldrige Award Application Forms* booklet may be downloaded from our Web site or obtained free of charge from

> Baldrige National Quality Program
> National Institute of Standards and Technology
> Administration Building, Room A600
> 100 Bureau Drive, Stop 1020
> Gaithersburg, MD 20899-1020
> Telephone: (301) 975-2036
> Fax: (301) 948-3716
> E-mail: nqp@nist.gov
> Web site: www.baldrige.nist.gov

Bulk Orders

Multiple copies of the *2004 Criteria for Performance Excellence* booklets may be ordered in packets of 10 for $39.95 plus shipping and handling from the American Society for Quality (ASQ).

> 2004 Business Criteria—Item Number T1391
> 2004 Education Criteria—Item Number T1392
> 2004 Health Care Criteria—Item Number T1393

How to Order

ASQ offers four convenient ways to order:

- For fastest service, call toll free (800) 248-1946 in the United States and Canada (in Mexico, dial toll free 95-800-248-1946). Have item numbers, your credit card or purchase order number, and (if applicable) ASQ member number ready.

- Or fax your completed order form to ASQ at (414) 272-1734.

- Or mail your order to ASQ Customer Care Center, P.O. Box 3066, Milwaukee, WI 53201-3066.

- Or order on-line by accessing ASQ's Web site at www.asq.org.

Payment

Your payment options include check, money order, U.S. purchase order, VISA, MasterCard, or American Express. Payment must be made in U.S. currency; checks and money orders must be drawn on a U.S. financial institution. All international orders must be prepaid. Please make checks payable to ASQ.

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The following shipping and processing schedule applies to all orders within the United States and Canada.

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$35.00–$99.99	6.50	11.50
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- There is a shipping and processing charge of 25 percent of the total order amount for shipments outside the United States and Canada.

- Orders shipped within the continental United States and Canada where UPS service is available will be shipped by UPS.

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- Your credit card will not be charged until your items are shipped. Shipping and processing are charged one time, up front, for the entire order.

If actual shipping charges exceed $12.50 ($17.50 Canadian), ASQ will invoice the customer for the additional expense.

Baldrige Educational Materials

Each year, the Baldrige National Quality Program develops materials for training members of the Board of Examiners and for sharing information on the successful performance excellence strategies of the Award recipients. The following items are samples of the educational materials that are available.

Case Studies

The case studies are used to prepare Examiners for the interpretation of the Criteria and the Scoring System. The case studies, when used with the Criteria, illustrate the Award application and review process. The case study packet contains the case study and six additional documents: an executive summary, the related *Criteria for Performance Excellence* booklet, the case study scorebook, the case study feedback report, the *Handbook for the Board of Examiners*, and the *Scorebook for Business, Education, and Health Care*. These documents provide information related to scoring, Criteria responses, examination processes, and site visit procedures, as well as illustrate the format for an application. A variety of case study packets are available, including the following:

> **2003 Business Case Study Packet: GeoOrb Polymers, North America** (based on the *2003 Criteria for Performance Excellence*)
>
> Available only in e-format (PDF version) at www.baldrige.nist.gov/GeoOrb.htm

2002 Health Care Case Study Packet: CapStar Health System (based on the *2002 Health Care Criteria for Performance Excellence*)

Available only in e-format (PDF version) at www.baldrige.nist.gov/CapStar.htm

2001 Business Case Study Packet: TriView National Bank (based on the *2001 Criteria for Performance Excellence*)

Item Number T1091: $49.95 plus shipping and handling

Also available in e-format (PDF version) at www.baldrige.nist.gov/TriView.htm

2000 Education Case Study Packet: Coyote Community College (based on the *2000 Education Criteria for Performance Excellence*)

Item Number T1090: $49.95 plus shipping and handling

Also available in e-format (PDF version) at www.baldrige.nist.gov/Coyote.htm

Award Recipients Videos

The Award recipients videos are a valuable resource for gaining a better understanding of performance excellence and quality achievement. The videos provide background information on the Baldrige National Quality Program, highlights from the annual Award ceremony, and interviews with representatives from the Award recipients' organizations. Information on the 2002 Award recipients video is provided below. Videos about Award recipients from other years also are available from ASQ.

2003—Item Number TA1126 $20.00
        (Available May 2004)

How to Order Educational Materials

To order a Case Study Packet (TriView National Bank, Coyote Community College, or others), bulk orders of the 2004 Criteria booklet, or the Award recipients videos, contact

ASQ Customer Care Center
P.O. Box 3066
Milwaukee, WI 53201-3066
Telephone: (800) 248-1946
Fax: (414) 272-1734
E-mail: asq@asq.org
Web site: www.asq.org

The Baldrige National Quality Program welcomes your comments on the Criteria or any of the Baldrige Award processes. Please address your comments to

2004 Criteria for Performance Excellence
Baldrige National Quality Program
National Institute of Standards and Technology
Administration Building, Room A600
100 Bureau Drive, Stop 1020
Gaithersburg, MD 20899-1020

or   E-mail: nqp@nist.gov

or   Web site: www.baldrige.nist.gov

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THE BALDRIGE NATIONAL QUALITY PROGRAM AND ITS IMPACTS

The Malcolm Baldrige National Quality Award was created by Public Law 100-107, signed into law on August 20, 1987. Public Law 100-107 led to the creation of a new public-private partnership. Principal support for the program comes from the Foundation for the Malcolm Baldrige National Quality Award, established in 1988.

The Award is named for Malcolm Baldrige, who served as Secretary of Commerce from 1981 until his death in 1987. His managerial excellence contributed to long-term improvement in efficiency and effectiveness of government.

On August 20, 1987, President Ronald Reagan signed the "Malcolm Baldrige National Quality Improvement Act of 1987," establishing a program that many credit with making quality a national priority and helping to revitalize the U.S. economy during the 1990s. Today, the Baldrige National Quality Program and the Baldrige Award recipients are imitated and admired worldwide. More than 43 states and many countries, including Japan, have programs modeled after Baldrige. In particular, the Baldrige Criteria for Performance Excellence are widely used as an assessment and improvement tool. Millions of print and electronic copies of the Criteria have been distributed. In 1999, categories for education and health care were added to the original three categories: manufacturing, service, and small business. Impacts of the Program have been far reaching:

- Since the Baldrige Program began until 2003, there have been 939 applicants for the Malcolm Baldrige National Quality Award. These applicants have received vigorous evaluations by the Board of Examiners using the Criteria for Performance Excellence.

- Through 2002, 51 Award recipients have been selected across five categories: 23 manufacturing companies, 11 service companies, 13 small businesses, 3 education organizations, and 1 health care organization.

- As of June 2003, there were 52 active state and local quality award programs in 43 states. All 52 programs are modeled to some degree after the Baldrige National Quality Program, and their award criteria are based on the Criteria for Performance Excellence.

- From 1996 to 2002, 20 of the 27 Baldrige Award recipients were previous winners in state award programs.

- Since 1991, there have been more than 7,000 applications for state and local quality awards.

- Over the past 16 years of its existence, the Baldrige Program has trained more than 2,000 Examiners. Since 1991, the state and local programs have trained more than 21,000 Examiners.

- The Award recipients have presented to tens of thousands of organizations at conferences worldwide. For example, Operations Management International, Inc. (OMI), an international service business with 1,400 employees, has made presentations to more than 17,000 people since becoming an Award recipient in November 2000. Branch-Smith Printing Division, a small family-owned business with 68 employees, has given presentations to more than 2,000 people since becoming an Award recipient in November 2002. The Quest for Excellence conferences have reached more than 15,000 attendees over the Program's history.

- In 2001, the first three education Award recipients—the Chugach School District (Alaska), the Pearl River School District (New York), and the University of Wisconsin-Stout—were announced.

- In 2002, the first health care Award recipient—SSM Health Care (St. Louis, Missouri)—was announced.

Baldrige National Quality Program

Baldrige National Quality Program
National Institute of Standards and Technology
Technology Administration
United States Department of Commerce
Administration Building, Room A600
100 Bureau Drive, Stop 1020
Gaithersburg, MD 20899-1020

The National Institute of Standards and Technology is a nonregulatory federal agency within the Commerce Department's Technology Administration. NIST's primary mission is to develop and promote measurement, standards, and technology to enhance productivity, facilitate trade, and improve the quality of life. The Baldrige National Quality Program (BNQP) at NIST is a customer-focused federal change agent that enhances the competitiveness, quality, and productivity of U.S. organizations for the benefit of all citizens. BNQP develops and disseminates evaluation criteria and manages the Malcolm Baldrige National Quality Award. It also provides global leadership in promoting performance excellence and in the learning and sharing of successful performance practices, principles, and strategies.

Call BNQP or visit our Web site for

- information on improving the performance of your organization
- information on eligibility requirements for the Baldrige Award
- information on applying for the Baldrige Award
- information on becoming a Baldrige Examiner
- information on the Baldrige Award recipients
- individual copies of the Criteria for Performance Excellence—Business, Education, and Health Care (no cost)
- information on BNQP educational materials
- case studies

Telephone: (301) 975-2036; Fax: (301) 948-3716; E-mail: nqp@nist.gov
Web site: www.baldrige.nist.gov

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By making quality a global priority, an organizational imperative, and a personal ethic, the American Society for Quality becomes the community for everyone who seeks quality technology, concepts, or tools to improve themselves and their world. ASQ administers the Malcolm Baldrige National Quality Award under contract to NIST.

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